Austria	Sch 18	Indonesia	Rp 2400	Portugal	Esc 75
Bahrain	Din 0.650	Italy	L 1100	S. Arabia	Rls 5.00
Belgium	BFr 38	Japan	Y650	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 100
Cyprus	Mils 600	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 7.25	Lebanon	LL 6.00	Sweden	SKr 5.50
Egypt	LE1.00	Luxembourg	LFr 38	Switzerland	SFr 2.00
Finland	Fmk 5.50	Malaysia	Rm 4.75	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 150
Greece	Dr 60	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	NKr 6.00	U.S.A.	$1.50
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,373 — Wednesday July 18 1984 — D 8523 B

Poland: the workers' struggle to be heard, Page 3

NEWS SUMMARY

GENERAL

Britain to test opinion in HK

Sir Geoffrey Howe, UK Foreign Secretary, is expected to outline ideas today for testing public opinion in Hong Kong when a draft agreement on the colony's future is concluded with Peking.

The move is seen as an effort to reassure Westminster and the people of Hong Kong that the UK Government is standing up to Chinese pressure in negotiations about the territory.

Sir Geoffrey is expected to reaffirm that Britain intends to maintain full control of the territory until 1997 when the UK's leases on most of the colony expire and China is to resume sovereignty. Page 14

U.S. Democrats

The U.S. Democratic Party's three presidential contenders – former Vice-President Walter Mondale, Senator Gary Hart of Colorado, and the Rev Jesse Jackson – met privately to bury the hatchet as the party's national convention opened in San Francisco. But a public display of unity was regarded as more of an armed truce than real peace. Page 4

Decision delayed

The fate of the New Zealand dollar hung in the balance as Prime Minister-elect David Lange decided to delay until today a decision on devaluation. Page 2

Balkan talks

Yugoslav Prime Minister Milka Planinc began a rare trip to Bulgaria, raising the prospect of a significant improvement in relations between the two traditional Balkan rivals.

E. Germans flee

Two East German brothers tunnelled under the frontier with Bavaria and fled to West Germany, border police said.

Uruguay protest

More than 20,000 people marched through the streets of Montevideo to demand the release of detained Uruguayan opposition leader Wilson Ferreira Aldunate.

Bombs in Lima

At least 10 guerrilla bombs rocked Lima, plunging it into darkness. Peruvian officials said the blasts brought down power lines and damaged offices of the Soviet airline Aeroflot. No casualties were reported.

Tokyo suspicion

Police in Tokyo said they were inquiring into a report that a Bulgarian diplomat who left Japan under suspicion of industrial espionage on Sunday was given bacteria by a professor at Tokyo University.

Telephone crisis

Peking's telephone system, already threatening to delay China's development plans because it is slow and inadequate, is on the verge of collapse, the China Daily said.

Union ban appeal

UK Government is to appeal over a High Court ruling that a ban on union membership at its secret intelligence-gathering centre was unlawful. Page 8

Fiddlers jailed

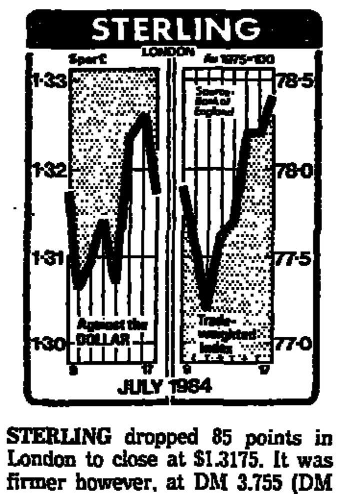
The discovery of a corruption scandal in the largest Soviet concert agency has led to reorganisation of 10 orchestras and jail sentences for leaders of a Siberian philharmonic, the Moscow newspaper Soviet Russia said.

BUSINESS

Citicorp earnings fall to $206m

CITICORP, largest U.S. banking group, reported a 12 per cent drop in second-quarter net income to $206m, or $1.49 a share, as all three of its main banking business groups posted slight earnings falls. Page 14

DOLLAR improved in London to DM 2.8475 (DM 2.8255), SwFr 2.405 (SwFr 2.384) and to a record FFr 8.7375 (FFr 8.645). It was also firmer at Y242.7 (Y240.5). On Bank of England figures, the dollar's trade-weighted index rose from 135.7 to 136.4. In New York it closed at DM 2.852, SwFr 2.412, Y242.75 and FFr 8.77. Page 33



STERLING dropped 85 points in London to close at $1.3175. It was firmer however, at DM 3.755 (DM 3.74), SwFr 3.175 (SwFr 3.16), FFr 11.53 (FFr 11.49) and Y321.0 (Y318.75). Its trade-weighted index rose to 78.4 from 78.2. In New York it closed at $1.316. Page 33

GOLD fell $5 on the London bullion market to $348.50. It was also lower in Frankfurt and Zurich at $347.25. In New York the Comex July settlement was $348.10. Page 32

WALL STREET: The Dow Jones industrial average closed 6.07 up at 1,122.90. Section III

TOKYO stocks drew scattered support. The Nikkei-Dow market average gained 64.44 to 10,242.02. Section III

LONDON equities felt docks strike pressures: the FT Industrial Ordinary index shed 4.5 to 770.5. Gilts eased. Section III

SOUTH AFRICA'S Reserve Bank governor Dr Gerhard de Kock said that further domestic interest rate rises were possible unless the gold price remained at about $350 an ounce or edged higher. Page 5

JAPAN'S shipyards, under fire from other industrial nations for dominating world shipbuilding, reported that orders for new vessels had fallen.

THE FRENCH economy grew much faster in the first quarter of this year than originally thought, providing fresh evidence of its new-found buoyancy, figures from the National Statistics Institute showed.

NORWAY'S trade surplus, helped by a big increase in oil and gas exports, rose during the first six months of the year by nearly 38 per cent over the same period of 1983, according to official statistics.

NORTHROP, U.S. military and defence contractor, reported a 39 per cent increase in second-quarter earnings to $38.3m or $2.51 a share from $27.5m or $1.18.

RCA, U.S. electronic, broadcasting and entertainment group, posted a 75 per cent increase in second-quarter net profits to $109.9m or $1.13 a share. Page 15

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

Delors emerges as favourite for top EEC post

Fabius is asked to form new French Government

BY DAVID HOUSEGO IN PARIS

PRESIDENT François Mitterrand last night appointed M Laurent Fabius the former Minister of Industry, as Prime Minister in the first big Cabinet reshuffle of his three-year administration.

He replaces M Pierre Mauroy, who has led the Socialist-Communist coalition Government since its formation in 1981.

The most difficult task immediately to be faced in consultation with M Mitterrand is whether to include the Communists in the new Government and on what terms.

The Communists, who have been outspoken in their criticism of M Fabius's industrial policies, last night met in emergency session to review the situation.

The decision caused surprise in Paris because at 37 Fabius will be by far the youngest French Prime Minister. He has also been criticised recently for apparently evading the handling of sensitive issues such as the restructuring of the steel industry and the bankruptcy of Creusot-Loire.

M Fabius has none the less long been a member of President Mitterrand's inner circle of advisers. His appointment is obviously intended to give an image of youth to the Government while reinforcing its appeal among traditional Socialist supporters.

M Fabius can be expected to maintain the anti-inflationary policies of M Jacques Delors, the Finance Minister, under whom he formerly worked as Minister of the Budget. As Minister of Industry he has a reputation for encouraging the private sector and of supporting pragmatic policies.

The announcement of M Fabius's nomination came after M Pierre Mauroy drove to the Elysée shortly before 8pm to hand in his resignation. He had been Prime Minister for three years. Earlier in the day M Alain Savary, the Minister of Education, handed in his resignation.

His decision followed President Mitterrand's announcement last week that the Government would abandon the controversial private schools bill – a decision that marked an important concession by the President to his right-wing and centrist opponents.

M Mitterrand's decision to switch prime ministers comes in the wake of the Left's severe defeat in the European elections on June 17 and the march in Paris a week later which gathered together 1½m people in defence of private schools.

M Mauroy in a resignation letter last night said that a "new phase" had begun. It is clear that M Mitterrand wanted a new Government to be entrenched well before campaigning begins for the referendum on civil liberties that M Mitterrand has called for September.

It seemed possible last night that M Mauroy would be asked to stay on for a month or two to complete preparations for the 1985 budget and to steer the controversial private schools and press bills through parliament during its extraordinary summer session.

M Mauroy said the decision to call a referendum opened a "new phase" in M Mitterrand's administration. The President also clearly intends that M Fabius should also lead the Socialists into the crucial legislative elections in 1986.

If the Left were to be badly defeated then, there would probably be a serious constitutional clash between a right-wing National Assembly and a Socialist President.

M Laurent Fabius

Although M Fabius has yet to choose his ministerial team, there is no reason to believe that there will be any significant change from the present anti-inflationary thrust of French economic policy.

Meanwhile, it emerged yesterday that M Delors was now likely to take over as the President of the EEC Commission in succession to M Gaston Thorn of Luxembourg.

Community sources confirmed last night that M Delors, whose name has been put forward by President Mitterrand as the French nominee for the post, would have the support of the two other largest EEC member states – West Germany and Britain. Belgian officials said that if M Delors emerged as the strongest contender, the Belgian Government would not oppose him. Belgium had earlier put forward Viscount Etienne Davignon, the EEC Industry Commissioner, as its nominee.

For prestige reasons, President Mitterrand had no wish for M Delors to be named officially as a candidate unless diplomatic soundings indicated that he would gain acceptance. That process has now been virtually completed with a visit to London on Monday by M Roland Dumas, the Minister of European Affairs, who saw Sir Geoffrey Howe, the British Foreign Minister.

Dr Garrett FitzGerald, the Irish Prime Minister, who is currently President of the EEC, has also been informed of the French desire to see M Delors succeed M Thorn. Irish diplomats said last night that he now seemed to be the only candidate with the necessary backing.

M Delors said last night that he was "not a candidate" for the EEC presidency and his private office added: "Nothing has been decided." Senior officials declined to comment on M Delors's likely shift to Brussels.

M Delors has in private often expressed his enthusiasm for taking over the presidency of the Commission. He is a committed European who has worked hard for strengthening the EMS, and is a former member of the European Parliament. In naming him for the post, President Mitterrand obviously believes that M Delors could play an important role in "relaunching" the Community – a goal to which President Mitterrand repeatedly committed himself while France held the Presidency of the EEC in the first six months of this year.

The only other potential French candidate was M Claude Cheysson, the French Foreign Minister, but his nomination is believed to have run into opposition from Britain and Belgium.

UK port talks at impasse as delays mount

BY BRIAN GROOM, LABOUR STAFF, IN LONDON

THE UK national docks strike showed no prospects of an early end last night as exploratory talks failed to achieve a breakthrough.

Hundreds of lorries are stranded on both sides of the Channel between England and the European continent after Dover closed to freight traffic on Monday night. All other major British ports are closed to seaborne trade.

Docker's leaders talked yesterday for 90 minutes with officials of the Government's independent Advisory, Conciliation and Arbitration Service (Acas). The officials said afterwards that the talks had not broken down.

Mr John Connolly, national docks secretary of the Transport and General Workers' Union, which has called the nine-day-old strike, said: "We are as far away as we were on Tuesday of last week."

The dispute concerns guarantees that the transport union is seeking over the registered dock labour scheme. The port employers held discussions with Acas on Monday. The conciliation service is now considering whether to call the two sides for further talks.

Mr Connolly said: "We have given a tremendous amount of ground. The sticking point is the employers' refusal to give a guarantee that there will be no further breaches of the dock labour scheme."

The strike began when British Steel used non-registered dockers to handle a cargo of iron ore. It has halted most freight movement in and out of the UK, but ferry passengers and cars are still able to travel.

Employers hope that local union officials in ports which are not part of the dock labour scheme will not be able to maintain solidarity for much more than a week. These harbours include Dover and Felixstowe, Britain's major container port.

At Dover and Calais, on the French side of the Channel, lorry parks have been opened but drivers are protesting that loads of fruit and vegetables will soon rot.

Continued on Page 14

Airlift by shippers, Page 5

W. German steelmen win 38-hour week

BY RUPERT CORNWELL IN BONN

IG METALL, the West German engineering union, has moved a step closer to its goal of a 35-hour week with a new wage contract bringing in a 38-hour week for 170,000 workers in the steel industry.

In a deal, which both sides described as specially tailored for the long-troubled steel sector, the union has agreed to forgo a pay rise for calendar 1984. Instead wages will go up by 3.3 per cent from January 1, and by a further 2 per cent from July 1986.

The cut from 40 to 38 hours in the basic working week is the biggest yet to emerge from this spring and summer's round of pay talks.

The engineering and printing employers, after lengthy strikes, conceded only a 90-minute reduction to 38.5 hours, to come into force next April 1. A similar agreement on Sunday removed the threat of summer strikes by employees of Lufthansa, the state airline.

In contrast with the engineering and print industry settlements, the steel employers have won no commitment to more flexible hours. The 38-hour week will take effect from October 1 and operate, the union has agreed, until at least the end of 1987.

IG Metall was afterwards confident that the shorter hours arrangement, coupled with no immediate pay increase, would achieve the main goal of preventing further job losses in the industry.

The country's steelmakers, weighed down by huge losses in recent years, have been pushed into a substantial overhaul. It has been forecast that further restructuring would lead to the loss of another 21,000 steel jobs by the end of 1985.

Meanwhile, the Economics Ministry predicted that production losses caused by the seven-week engineering strike – put at DM 10bn ($3.54bn) or more – will be largely made good during the remainder of the year.

In contrast to its earlier gloomy pronouncements, the Ministry called the settlement "economically justifiable." The basic competitiveness of German industry and the world upswing meant that growth at home was set to continue in the *second half of 1984, it said.*

Brussels to probe Péchiney aid

BY PAUL BETTS IN PARIS

THE EUROPEAN Commission claims that the French Government may have paid improper subsidies to Pechiney, the nationalised aluminium producer.

French officials yesterday acknowledged that an EEC investigation into the subsidies might turn into an important test of French state financing of the large industrial groups nationalised after the Socialist-Communist coalition came to power in 1981.

Since it was nationalised, Péchiney has undergone extensive restructuring and has received FFr 4.8bn ($553m) in state financial aid, which includes capital endowment funds and government loans.

The EEC suspects that that aid may represent unfair subsidies disturbing competition. The Commission's investigation is based on articles 92 and 93 of the Treaty of Rome, which declare illegal the use of state aid distorting competition and empower the Commission to *examine all forms of subsidies.*

Under those regulations, Péchiney would, in theory, have to repay to the French Government, its sole shareholder, all subsidies deemed to be unfair or improper.

French officials explained that the EEC investigation stemmed from the Government's failure to notify the Commission in advance about the funding measures for Péchiney.

The Government has given the *Commission no advance notification*, as in theory it should have done, about its funding arrangements for any of the industrial groups nationalised since 1981. The Commission could decide to examine subsidies to other French nationalised companies.

France will argue that the subsidies were quite proper and that the state, as sole shareholder, was acting as any other large shareholder in the interests of his company, officials indicated yesterday.

London stock market approves radical change in share trading

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

THE LONDON Stock Exchange ruling council yesterday gave formal approval to an internal document outlining a radically new system for trading in shares in the British securities market.

The document, to be published later this week, describes a bold new system for trading in British shares in which traditional boundaries separating the functions of buying and selling shares and making markets in shares will come to an end.

The stock exchange is also planning a new monitoring system for share dealing – the Stock Exchange Automated Quotation System (SEAQ) – on which prices will be disclosed.

The stock exchange envisages that its members could become competing market makers – committed to maintaining two-way prices for dealing in shares in which they have agreed to trade.

They will be required to maintain a market in "at least a prescribed minimum size in all securities" in which they had chosen to trade.

In the possible structure:

- All firms will be deemed to be dual capacity broker-dealers, combining the functions of both stockbroking and stockjobbing, or market making. Firms can continue acting in either a broking or a stockjobbing role, as they currently do under the present single capacity system.
- Broker-dealers should be able to apply to act as market makers in specific securities.
- Broker-dealers, acting as market makers, should not be required to set up subsidiary companies for that purpose, although they would be permitted to do so.

Broker-dealers and market makers will be able to deal with anyone as agent or principal if they meet the necessary stock exchange capital requirements. The stock exchange has decided that when broker-dealers and market makers trade as principals, the trading should be regulated to prescribed limits according to capital structure under rules which will be drawn up.

The investor protection implications of the new system have also been considered and all traders in securities will have to report promptly to regulatory officials.

Deals will be published on the SEAQ system, and, as a first stage, will include deals in securities where there are four or more market makers; and an agency order which is executed by a broker-dealer with its own market making operation.

Broker-dealers and market makers will be required to time-stamp all dealing slips immediately on the execution of a trade.

Electronic price surveillance programmes will be built into the system, allowing records of quotation *changes to be matched against* reported trades.

That system, it is hoped, will allow the policing of stock exchange rules and of unusual share price movements. The records of quotes and trades should be retained, it is suggested, for some years to enable inquiries from investors about past dealings to be investigated.

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Thorn pleads for extra cash to close budget gap

BY QUENTIN PEEL IN BRUSSELS

M GASTON THORN, president of the European Commission, has issued an urgent appeal to Community leaders to approve increased spending this year of almost Ecu 2.1bn (£1.2bn).

In a personal letter sent last week he repeated the warning that spending to support farm prices will stop, probably in October, unless a supplementary budget is passed.

His plea, couched in dramatic terms, is aimed particularly at Britain, which is regarded as the most determined to limit spending to the present budget ceiling.

M Thorn warned that there was "a serious risk of disrupting the normal operation of the Community." Failure by this week's Budget Council to give the go-ahead for higher spending would conflict directly with last month's summit decision to ensure such "normal operations," he said.

The stage is already set for a prolonged and agonising budget meeting, with Britain again set against most other members in its determination to enforce budget discipline. National officials who met last week to prepare for the meeting talked for 17 hours without reaching any clear compromise.

M Thorn's letter agrees broadly with the statement already made by M Michel Rocard, France's Agriculture Minister, that the increased spending was an inevitable consequence of the agricultural reforms agreed in March and hailed at the time as a breakthrough.

He said that European farmers, who had accepted that agreement with difficulty, would not understand a refusal by European ministers to make the necessary finance available to pay for their own decisions.

The Commission has already submitted a paper to the Budget Council defending its supplementary budget and rejecting alternative proposals such as "artificial postponements of expenditure" to 1985. It also rejected any suggestion that money earmarked for non-agricultural spending—such as on the regional and social funds—should be reduced to save farm price supports.

Community accepts policy to harmonise standards

BY OUR BRUSSELS STAFF

THE lifting of objections by Greece has enabled the European Community's Council of Ministers to accept on the nod the principles of a policy to enhance the use of common standards for industrial products.

The policy is a declaration of intent to diminish the us eof national standards. Following common standards would significantly increase the opportunities for trade among the Ten.

But in defence to Greece, and by implication to the EEC's likely new entrants, Spain and Portugal, it is accepted that some states will be able to harmonise their standards more quickly than others.

The policy provides a framework in which detailed negotiation of particular product standards can take place.

It contains an undertaking that the Ten will abolish standards which are superfluous and can be used to keep out the products of other countries. It commits the Ten to greater co-operation between their standards institutes and to recognising each other's testing of new products.

The policy also provides for the Ten to consult each other before they bring in new standards which might affect the working of the internal market. Stress is laid on the need for common standards for high technology products so that public sector supply contracts can be opened up to competition.

Brussels deadline in tussle with IBM

By Paul Cheeseright in Brussels

THE EUROPEAN Commission's battle of nerves with International Business Machines, the world's largest computer group, will settle into a truce or grow into legal war on July 23.

Then, it was disclosed here yesterday, the Commission will decide either to proceed against IBM for abusing a dominant position on the market or sign a settlement which will affect IBM's conduct on the market.

The two sides were said to have entered a final negotiating session yesterday. If that breaks down, the Commission will take legal action under the EEC's competition rules. If a settlement is reached then the full Commission will have to approve it.

A decision to demand from IBM a change in its market practices, accompanied by a no doubt hefty fine for an immediate appeal to the Euro-

The issue in the biggest competition case the Commission has undertaken have been narrowed to one key question.

This relates to the ability of other manufacturers to make equipment compatible with IBM's biggest machines. The Commission is demanding that IBM publish more information about its products. This should be done, in the Commission view, within 30 days of the announcement of the product and not, as at present, when equipment is delivered.

The Brussels approach has been to seek a negotiated settlement while at the same time preparing the legal judgment that is the Commission's right as controller of competition policy.

IBM is said to have moved nearer the Commission's position. The talks this week are the last opportunity to stave off a prolonged legal tussle if the Commission's deadline of settling thematter by the summer holidays is to be met.

Glimmer of hope over Citroen jobs

BY PAUL BETTS IN PARIS

TENTATIVE SIGNS of a solution to Citroen's dispute with the unions over job losses emerged yesterday. Chances of agreement appeared to have improved after meetings between M Jacques Calvet, head of Peugeot's subsidiaries which include Citroen, and labour leaders.

M Calvet's most important meeting took place yesterday with M Andre Sainjon, the militant metalworkers leader in the pro-Communist CGT labour confederation, whom he previously refused to meet. After four hours of talking M Sainjon said there was "a certain hope" of a solution.

The Peugeot chief executive had earlier seen all the other unions concerned including the pro-Socialist CFDT, which also appears to have adopted a more conciliatory tone.

For his par M Calvet remained very cautious yesterday. At a Citroen board meeting after the union talks he again said that a rapid decision was required on Citroen's job proposals. He has repeatedly argued for the need to lose about 6,000 jobs at Citroen to enable the subsidiary to make a reconnection. So far, the Government has agreed to about 4,000 cuts through early retirements an dvoluntary redundancies but has refused Citroen's demands to make about 2,000 compulsory redundancies.

The unions also have been taking a hard line on the compulsory redundancies, arguing instead for shortening worker hours. At one stage this year, the large Citroen plant at Aulnay-sous-Bois near Paris was occupied by workers.

M Sainjon indicated yesterday a greater understanding between the two parties especially on key issues like retraining workers and the company's investment strategy.

Ciampi calls for urgent action on public spending

ROME—Sig Carlo Ciampi, the governor of the Bank of Italy, said yesterday that measures to correct the country's public spending deficit are urgent. He also repeated his warning that high interest rates fuelled by the deficit were holding back economic recovery.

He told the Chamber of Deputies budger commission that high interest rates also favoured an increase in inflation, which has fallen by six points in two years to 11.2 per cent.

Government borrowing for the first five months of the year appeared on paper as L37,000bn (£16.3bn) compared with L34,500 bn (£15.2bn) for the same period last year.

But in fact the gap between public spending and revenue was much greater than appears because of various technical factors, Sig Ciampi said.

The National Institute for Economic Study said Italy's gross domestic product will increase by 2.8 per cent this year and 2.5 per cent in 1985 *bu the economy will continue to* be held back by the structural problems of high internal inflation and public sector spending deficit.

Reuter

Visit to Bulgaria

Mrs Milka Planinc, the first Yugoslav Prime Minister to visit Bulgaria since the end of World War II, arrived at Sofia airport to be met by Bulgarian Prime Minister, Mr Grisha Filipov, Reuter reports from Belgrade. Mrs Planinc is also expected to meet President Todor Zhivkov during her three-day visit.

Spanish interest rates edge down

BY DAVID WHITE IN MADRID

SPAIN'S principal banks have fallen into line with a modest lowering of their preferential lending rates in response to government pressure seeking to reduce the cost of credit to the private sector. Bankers expect the economic impact to be limited, however.

The cuts are generally of half a percentage point, setting the rate for one year at 17-17.5 per cent, depending on the bank. Three-year rates to top clients now vary between 17.5 and 18 per cent.

The action was begun a fortnight ago by banks of the Vizcaya group and coincided with a drop in rates for government bond issues. The state-controlled Banco Exterior and leading savings banks were among the first to follow suit.

Agreement among the big banks on lower deposit rates is expected in a few days. Fixed legal rates are applied for small deposits of less than one year but the rest are set freely. The current level for deposits of up to two years is around 12.8 per cent.

The moves represent the most substantial change in commercial lending rates since the Socialist Government took office in late 1982. They come in reply to proposals by Sr Miguel Boyer, the Economy and Finance Minister, and are linked to a future easing in the amount of fixed credit allocations imposed on the banking system.

Pollution emergency in Athens

BY ANDRIANA IERODIACONOU IN ATHENS

INDUSTRIES IN the Attica basin, in and around Athens, were forced to cut fuel consumption by 30 per cent yesterday as hot, windless weather increased air pollution to emergency levels. About two-thirds of Greek industry is concentrated there.

An announcement by the Environment Ministry was broadcast on state radio and television on Monday night ordering 73 regional industries, among them textiles, steel, petroleum, canning and shipbuilding, to apply the restrictions from early yesterday. The measures are expected to end late today.

Under the ministry's emergency anti-pollution plan, restrictions are also placed on use of close to 1m private cars and taxis in the city centre and surrounding areas.

Bid to boost Copenhagen airport

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SAS, THE Scandinavian airline, is seeking agreement from the Danish Government to develop Copenhagen's Kastrup airport as an important European gateway. It wants more flights and better shopping and other transit facilities.

The airline has become concerned about the gradual loss of longhaul traffic from its domestic Scandinavian market to airlines using other Continental terminals.

Development of Kastrup was delayed for many years while the Government considered whether to build a new airport on the nearby island of Saltholm. That idea has since been abandoned and a substantial investment programme approved to modernise Kastrup's facilities.

Mr Jan Carlzon, SAS chief executive, said in a letter to Mr Arne Melchior, the Danish Transport Minister, that the airline's overall aim was to increase passenger traffic through Copenhagen.

The strategy included increasing departures to make Copenhagen the most efficient European hub in a worldwide air transport network.

At present transit passengers are discouraged from using Copenhagen because tax-free goods cost more and transit facilities are more limited than at competing airports.

The airline has offered to assume the financial risk if it is given responsibility ofr the service improvement. It has offered to guarantee the airport authority at least the same annual income as currently earned from airport concessions.

Developing states owe W. Germany DM 100bn

By Jonathan Carr in Frankfurt

THE NON-OIL producing developing states owed West Germany a total of around DM 100bn (about £26.7bn) at the end of last year, according to the Bundesbank report for July released today.

The central bank noted that this sum—which included lending by the foreign subsidiaries of West German banks—amountde to around 6.5 per cent of the total foreign debt of these countries.

However, it stressed that the Federal Republic had a share of at least 8 per cent of the exports of the industrialised states to the developing world.

"Taken all in all, German creditors thus have a share in the foreign debt of the developing world which is less than proportionate to their economic weight," the Bundesbank said.

Analysing balance of payments figures since 1980, the Bundesbank noted that Germany had run a current account deficit with the non-oil states averaging about DM 2bn annually.

To that extent the Federal Republic had helped them combat payments difficulties at a time of high interest rates and economic recession.

West German visible trade with the non-oil states had been in surplus, although German exports fell markedly in some cases—for example by 60 per cent to Mexico and by 30 per cent to Brazil and Chile.

At the same time West Germany had run much bigger deficits on its "invisible" transactions — pulling its current account with these states well into the red.

On services transactions the Germans ran deficits of some DM 3bn in both 1982 and 1983, not least because of heavy spending by German tourists in Asia and Africa.

Transfer payments were also deeply in the red—to a total of DM 4bn last year alone. More than half this sum was accounted for by German public and private development aid.

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EUROPEAN NEWS

Austria's electricity imports up sharply

By Patrick Blum in Vienna

AUSTRIA'S IMPORTS of electricity went up by more than 40 per cent last year underlining its dependence on energy imports and confirming fears that it will not be able to meet domestic demand without increasing its reliance on Eastern Europe.

Almost 47 per cent of the imports came from the Comecon area, compared to 49 per cent from the OECD nations. However, the OECD share fell by more than 7 per cent, while that of the Comecon rose by almost 10 per cent.

The trend towards increasing depency on Comecon for all forms of energy imports—it accounted for more 51 per cent of Austria's total energy imports last year — has prompted concern from the International Energy Agency and the OECD.

Both have recommended that Austria diversify supplies and expand domestic production, initially by putting the mothballed nuclear power plant at Zwentendorf into operation. The plant has never been used following a vote against nuclear power in a national referendum in 1978.

Figures for the first five months this year show an even larger increase of 60.5 per cent in electricity imports, compared with the same period last year.

Electricity exports have failed to match imports and for the first time Austria has become a net importer of electricity. In the past, exports were greater than imports: in 1979 exports were higher by a ratio of 4 to 1.

During the past five years, demand for electricity has grown steadily and at a faster rate than for other energy sources. It is expected to rise by about 1.5 per cent a year over the next five years and then by 2.5 per cent a year between 1990 and 1995.

Austria's electricity grid is linked to Eastern Europe via lines to the power conversion plant at Durnrohr. It has agreements for exports with Poland, Czechoslovakia, Hungary and the Soviet Union which will provide 300 Mw a year for 20 years, starting in 1985.

Rusting imports raise Pravda's ire

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

THE SOVIET petrochemical industry is letting imported Western equipment, worth Roubles 845m or the equivalent of $1bn, go to waste, the Communist party newspaper, Pravda, complained yesterday.

The revelation comes as the Soviet Union is generally gearing up to try to increase the downstream use of its extensive primary energy resources with such Western companies as ICI and Davy McKee building plants to convert gas into methanol. Pravda said the worst example was more than Roubles 100m of imported equipment lying in an open field at Belaya Tserkov in the Ukraine for a tyre plant which had stayed unbuilt for the past five years because planners had lowered the priority for tyre production.

Part of the problem may stem from the cautious Soviet management practice of not breaking ground on new projects until a substantial portion—sometimes 70-80 per cent of the equipment has been delivered to the site. But Pravda, which, like the rest of the Soviet press since the Andropov era, has taken on the role of scourge of inefficiency and corruption, said the petrochemical industry and its superiors in Gosplan, the state planning agency, must take the blame.

The political pressure on industry to make better use of imported equipment has increased with new constraints on the country's foreign exchange earnings. The Soviet Union recorded an increased hard currency trade surplus in the first quarter of this year, but mainly through re-exports of Middle East oil bartered for arms, rather than indigenous oil output which has levelled off in recent months.

A persistent foreign exchange drain has been grain imports, and Pravda also reported yesterday that one element of the Soviet "food programme"—the financial self-sufficiency of state and collective farms—was failing. One third of all farms were still losing money, and some were sinking into debt faster than before.

Pravda said that many farm managers had only a shaky grasp of such concepts as prices, profit and cost efficiency, which leaders like Mr Mikhail Gorbachev, the politburo member responsible for agriculture, have stressed. However, some observers feel that the recent government move to increase farm prices at the wholesale, but not the retail, level has made increased state budget subsidies inevitable.

Confirmation that the Andropov-inspired campaign against corruption continues unde rthe new leadership came this week with the execution of the former manager of the luxury food store "Gastronom No. 1," Moscow's answer to the Harrods Food Hall. Mr Yuri Sokolov was arrested last year and sentenced to death for "systematically receiving and giving bribes."

Christopher Bobinski reports on Poland's management reform

Workers struggle to be heard

POLAND'S WORKERS' councils, the self-management system originally established in 1981 during the brief Solidarity era, have been set up in some 7,000 companies but have so far been able to exercise very little control over management decisions.

"Either they start behaving like a trade union, or they are dominated by managers who use them as an argument in trying to settle problems with the Government," says Mr Jacek Merkel, a former member of Solidarity's national leadership who was responsible for the self-management movement.

So far, the Government has stuck to its commitment to the self-management legislation, even though it comes under intermittent fire from hardliners. Moderates in the establishment argue that the councils might involve some workers at least in improving productivity.

A more significant reason for the legislation's survival, though, is that it is seen by the authorities as too weak to constitute a political threat.

In a few places, however, workers are trying to exercise their right to influence management and are receiving the support of both Mr Lech Walesa, Solidarity's leader, and the banned union's underground movement.

At the large fibre factory at Torun, northwest of Warsaw, for instance, workers have elected some former Solidarity internees on to their self-management council. The voting has also demonstrated a significant drop in the influence of the Communist party on the council, which represents some 7,000 workers.

The Elana council has been struggling for its rights since it was first elected in 1981, against resistance from the managing director and complaints from the Communist party that it is too involved in politics.

The most notable, if so far fruitless campaign has been over the reinstatement of two well-known Solidarity activists sacked from the works after martial law was introduced.

Last April the council tried unsuccessfully to organise a meeting of about 20 similar councils from the larger Polish plants to discuss the economic reforms. The law allows the councils to maintain such contacts. Official alarm bells soon rang at this grassroots initiative, however, and the local bureaucracy swung into action, warning Mr Stanislaw Czuszel, the chairman, of the "consequences" if they went ahead.

The management muttered warnings that the Government might stop Elana's fuel allocations if the meeting went ahead. As a result, it was called off by a small majority vote secured by the party telling its members on the counc il to vote against it.

In May, the Elana council, summing up last year's production results, recognised the management's achievement of a 22.6 per cent profit margin, almost double the average on the government statistical office's list of Poland's 500 largest companies. At the same time it criticized Mr Kazimierz Hartwich, the managing director for failing to pay due regard to modernising the plant, for neglecting personnel relations and for not co-operating with the council itself.

Elections at the end of June, however, strengthened the self-management activists. The turnout showed that the workers felt the council had an important role to play. Mr Stanislaw Czuszel, the council chairman, a 34-year-old history graduate who handed in his Communist party card in protest at the imposition of martial law, won 75 per cent of the ballot in a production department where 87 per cent voted. Depending on the department 60 to 80 per cent of employees voted.

All the indications are that party members will make up 20 per cent of the new council as opposed to the 60 per cent in the outgoing one.

Mr Czuszel says: "We try not to make these distinctions. After all, we're interested in production, not politics, but people on the shop floor evidently knew the candidates

Amnesty will go ahead

POLAND WILL go ahead next weekend with a broad-based amnesty for politcal prisoners and minor criminal offenders, according to Mr Jerzy Urban, the government spokesman. He refused yesterday to discuss the details of the legislation, which is now before Parliament, it is expected to cover the great majority of the country's 660 officially-admitted political prisoners. It is not known, however, if the amnesty will include the four prominent KOR dissidents whose trial started last Friday and is scheduled to resume today.

The amnesty will mark the 40th anniversary of Communist Poland. The celebrations are to be attended by Mr Nikolai Tikhonov, the Soviet Prime Minister, and his Hungarian opposite number, Mr Gyorgy Lazar. But the East Germans, Bulgarians, Romanians and the Czechs have struck a discordant note by sending, contrary to earlier expectations, officials of only deputy premier rank. The Czechs will be represented by Mr Josef Korcak, a veteran hardliner.

Berliners get extra time for shopping

By Leslie Colitt in Berlin

A TINY DENT, but not more, has been made in West Germany's strict 6.30pm shop closing law by about 150 shopkeepers in West Berlin. In order to promote tourism and liven up the urban scene, they are being permitted by city authorities to remain open until 9pm each Friday during the summer months.

A radical move by West German retail standards, it is opposed by the vast majority of shopkeepers and their sales assistants. The West German consumer has not yet raised his or her voice loudly enough to be heard on the subject.

West Germany's retailers and the unions are united in their opposition to any change in the shop closing law of 1956, which was designed to prevent the exploitation of employees and to protect the small shopkeeper.

Earlier this year, when Herr Heiner Geissler, secretary general of the Christian Democrat Party, said he was in favour of modifying the law, he was pounced on by fellow CDU politicians for allegedly antagonising the party's most loyal voters. For years the liberal Free Democrat Party toyed with the idea of changing the rigid law, but it now appears to have shelved the idea.

West German shops and supermarkets must also close at 1pm on Saturdays, which leads to long queues before the gate comes down. Department stores and shops are permitted to stay open until 6.30pm on the first Saturday of each month.

German retailers stick together in their support for the closing law because they can see little advantage in spreading their customers over a longer shopping day. The shops in West Berlin, which have been exempted from the closing law, must pay sales assistants 50 per cent higher hourly wages for time worked after 6.30pm and they are only permitted to work an eight-hour day.

This makes hiring additional sales people prohibitive. Almost without exception, boutiques and jewellery shops are the only ones open in West Berlin on Friday evening until 9pm, with their owners manning the counters.

Governor Mario Cuomo of New York calls on the party to abandon its 'Babel of arguing voices'

Mondale and rivals cobble together an armed truce

BY REGINALD DALE, U.S. EDITOR, IN SAN FRANCISCO

Democratic National Convention San Francisco '84

THE Democratic Party yesterday stretched and strained for unity in its challenge to President Ronald Reagan in this year's U.S. presidential elections—but did not quite make it.

As the party's national convention opened amid the traditional red-white-and-blue razzamatazz here on Monday night, the three Democratic presidential contenders—former Vice-President Walter Mondale, Senator Gary Hart of Colorado and the Rev. Jesse Jackson—met privately to try to bury their various hatchets.

But the contrived public display of a *united front* added up to more of an armed truce than real peace.

Neither Mr Hart nor Mr Jackson agreed to call off their bids for the party's presidential nomination, which Mr Mondale is still expected to win relatively comfortably on Wednesday night.

Opening the convention in a much-applauded keynote address, Governor Mario Cuomo of New York called on the party to abandon its "Babel of arguing voices." But former president Jimmy Carter succeeded in once again embarrassing his colleagues and Ms Geraldine Ferraro, Mr Mondale's and Mr Hart's choice for vice-president, started confirming increasingly often heard fears here that she might also prove a liability in the autumn campaign for the White House.

As the up to 8,000 Democratic delegates and their alternates tried to find their way through mammoth organisational confusion at the underground Moscone convention centre, the Olympic torch—accompanied by helicopters, a cloud of San Francisco fog and a colossal traffic jam—put in a hardly needed appearance in the city centre on its way to Los Angeles.

Mr Carter is someone that most Democrats would prefer to hide. But Mr Mondale, who can still not quite reconcile himself to having been Mr Carter's Vice-President, relented enough to allow him a prime time TV speech on the opening nightly.

"Here I go again," said Mr Carter, in an excruciating reference to his notorious November 1980 TV deate with then—candidate Ronald Reagan. If one line sums up Mr Reagan's knockout victory over Mr Carter, it was his patronising quip to his rival: "There you go again." Nobody in the Moscone centre wanted to be reminded of that particular humiliation.

Mr Carter, however, rubbed it in by reminding his uneasy audience that he had once been "a little known Southern farmer." That, one suspected, was what they had *really hoped* he would remain.

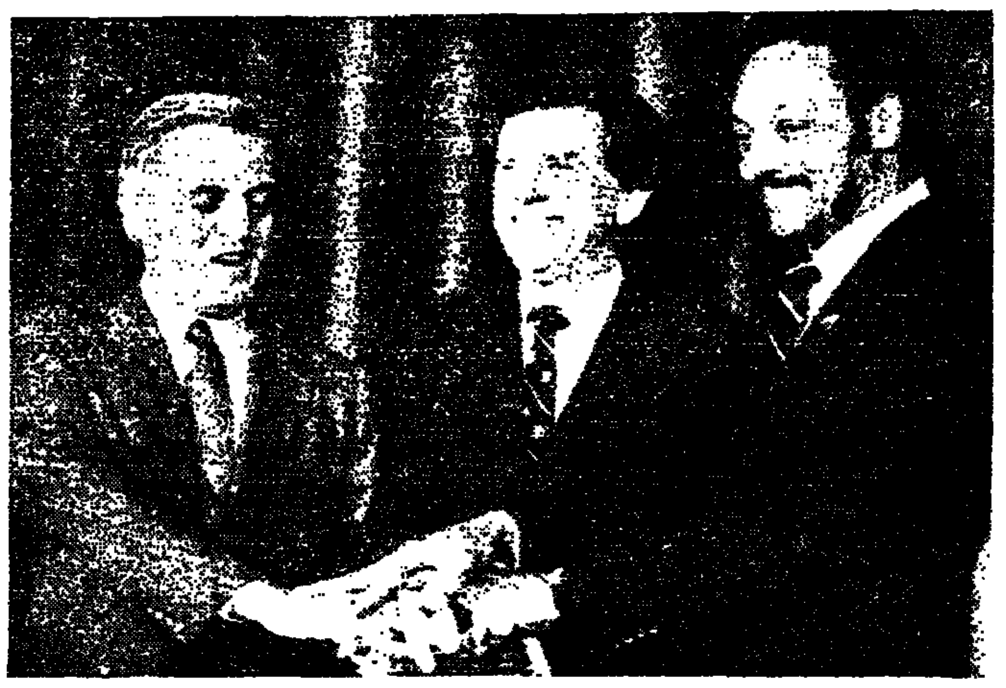
Mr Cuomo and Italian Americans like Ms Ferraro, struck the scenes of patriotism and family values that the Democrats are now obviously trying to hijack from Mr Reagan in advance of the November poll. It went down well with a convention audience that is probably more affluent, more "liberal" and certainly more female than any of its predecessors.

Between 52 and 53 per cent of the delegates here are women. But many of them did not appreciate Ms Ferraro's performance. In a satellite TV link up with her family's home village in Southern Italy, Ms drew some barely suppressed groans when she told the town's mayor she was sorry her Father "didn't live to see his little girl grow up."

Most of the delegates are overwhelmingly excited that Mr Mondale finally gathered up his courage to choose a female running mate. The question now is whether she is going to live up to what may be inordinately and unfairly high expectations.

She had an unkind foretaste of what lies ahead yesterday, when San Francisco police had to interrupt the sale of satirical, and to many offensive, campaign buttons, hailing the "Fritz and Tits" ticket. Fritz is Mr Mondale's nickname.

The slogan was meant to be an ironic update of one first heard when Mr Carter was running for president in 1976—"Grits and Fritz." "Grits"—a kind of semolina—is the Southern breakfast dish most widely alluded to by Northern and Western Americans when they want to "put down" rednecks from the former Confederacy.



Presidential candidates Walter Mondale, Gary Hart and Jesse Jackson clasp hands in an apparent show of unity. However they sa'd they had yet to resolve their differences

Democrats pay court to Asian Americans

BY NANCY DUNNE IN SAN FRANCISCO

ASIAN Americans, once the silent minority of the U.S. political scene, are emerging at the San Francisco Convention as a potential power in Democratic politics.

As a result of changes in party rules two years ago the number of Asian delegates soared from one in 1980 to 104 at this Convention. The delegates are members of the Asian Pacific Caucus which like other caucuses here meets each day to hear the candidates, plot strategy and discuss campaign issues.

Among the minorities which flock to the Democratic Party—the blacks, Hispanics, American Indians and European ethnics—it is believed that Asian Americans are the biggest campaign contributors per capita. Hardworking, increasingly prosperous, they added an estimated $2m to party coffers in 1980.

"After they got our money, they had no interest in us," said Mr Thomas Hsieh, caucus chairman. But, he adds, Asian-Americans are no longer willing to be ignored. Like other historically disadvantaged minorities, they face prejudice, distrust and job discrimination. According to the caucus platform they are experiencing a "disturbing resurgence of physical violence."

With Asian-made products flooding U.S. markets, American-born Asians are seen as "foreigners" responsible for plant closures and lay-offs. In one notorious recent case, a Chinese American was killed by two unemployed auto workers who said later that they had thought their victim was Japanese.

Mr Jessie Jackson, the first presidential candidate to visit the fledgeling caucus, brought delegates to their feet cheering wildly. "The use of Asian people as scapegoats for our collapsed economy must no longer be tolerated," he said.

Asian Americans have a history of voter apathy, says Mr Hsieh. "They didn't think their votes would make a difference to the injustice in our society."

The caucus is planning to change all that. It is developing a national fund-raising network and a computerised mailing list for a registration drive. More than 20 states are heavily organised.

In return for party loyalty, the caucus is demanding enforcement of civil rights laws to protect Asian Americans, changes in immigration rules to reunite families, reparations for the Japanese Americans who were interned in camps in the U.S. during World War II and federal assistance for Asian immigrants.

"We will make the politicians who came to us accountable for our support," says Mr Hsieh.

Washington and Moscow initial accord to upgrade hotline link

BY STEWART FLEMING IN WASHINGTON

THE U.S. and the Soviet Union yesterday initialled a new agreement which would upgrade the "hotline" telecommunications links between the two superpowers.

Talks about supplementing the existing 67-word-a-minute teletype link between Moscow and Washington with a high-speed satellite system capable of transmitting diagrams and maps as well as words began in May 1983. Final details have been worked out in Washington during the past few days.

The hotline was established in 1962 following the Cuban missile crisis to enable Soviet and U.S. leaders to talk to each other in a crisis. The White House has not disclosed when it has been used but it is known that it has been used at least five times, including during the 1967 and 1973 Middle East wars.

An agreement on upgrading the hotline has been one of several minor bilateral topics on which the U.S. has been seeking agreement before the presidential election as part of its effort to demonstrate that U.S.-Soviet relations are not as bad as its Democratic Party critics maintain.

There are reports that the U.S. may *shortly* be able to announce progress in a number of other areas, including new arrangements on visa rules and the resumption of a ten-year accord on economic co-operation.

Of considerably more significance to the Reagan Administration, however, would be a resolution of the diplomatic wrangling surrounding the Soviet proposal for talks on anti-satellite weapons.

The Soviet union proposed such talks last month but agreement on the agenda has not yet been reached.

U.S. nuclear industry dealt another blow

By Terry Dodsworth in New York

THE U.S. NUCLEAR power industry has been dealt another serious blow by two decisions which may mean abandoning a further six partially completed power units.

In Michigan, Consumers Power said it will abandon its Midland project, where it has two power units under construction, after failing to agree on a rate structure with its principal clients.

The company says it *will* have to dismiss around 3,500 workers after laying off 1,550 earlier this year. It will apply for rate increases with the local authority to cover the cost of the $4bn incomplete construction. Under normal procedures, the nuclear industry is only allowed to recover its capital expenditure through rate increases when a project is complete.

In Tennessee, the Tennessee Valley Authority is considering a recommendation to abandon four nuclear plants. According to a staff review these will now be too costly to complete, while energy requirements in the area have dropped well below *previous projections.*

The TVA board will vote on the recommendations next month. It has already cancelled four plants out of an initial 1966 scheme to construct 17 units. Five are operating, four are being built and four are threatened.

The cost of abandoning the four units is calculated at around $2.7bn. TVA has a sufficiently large financial cushion to allow it to absorb the cost of cancellation without resorting to tarriff increases

Strike hits Peru interest payments on foreign debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

PERU has fallen behind with interest payments on its $12.6bn (£9.6bn) foreign debt because of a strike by civil servants in Lima, Peru's capital.

Interest arrears to commercial bank creditors now total some $50m, but there are also payments delays to official lenders such as the World Bank and Inter-American Development Bank.

Bankers say the strike hampered local tax collection *with the result that the government could not obtain the soles* —Peru's currency—needed to buy dollars to meet its foreign interest payments. They expect the interest arrears to be cleared with the resumption of tax collection.

The delay in interest payments has caused mild anxiety in the banking community because of Peru's known ambivalence towards the International Monetary Fund and because of long delays in completing its $2.6bn 1984-85 commercial bank rescheduling package.

Only when this package is completed can Peru expect the final $100m instalment of a fresh money loan agreed by commercial bank creditors last year.

Bankers in New York say the package may be wrapped up by the end of this month. There is still no certainty that it will have been approved, by then, by *all creditor banks. A dispute* involving the treatment of "à forfait" loans (a form of trade finance) in the rescheduling package remains unresolved.

Our Foreign Staff writes: Lima had its power supplies restored yesterday after they had been severely disrupted on Monday by at least 10 bombs planted by Left-wing guerrillas. The bombs caused the worst black-out in the capital since August 1982 when a similar attack occurred.

Call to convert part of Brazil debt into bonds

BY ANDREW WHITLEY IN RIO DE JANEIRO

UNION DE BANK SUISSE, UBS, one of Brazil's leading creditors, has proposed converting part of the country $100bn (£76bn) foreign debt into fixed interest bonds, as a way of overcoming the problem of floating interest rates on the international capital market.

Herr Robert Holzach, chairman of the UBS board, made the proposal in Brasilia on Monday, at a meeting with Sr Ernane Gelvea's Brazil's Finance Minister. *UBS is also a member of* the bank advisory committee for Brazil.

Herr Holzach also suggested that Brazil diversify the currencies in which its debt is denominated away from the U.S. dollar.

The Brazilian Minister apparently responded favourably to the bonds proposal. Sr Galveas said he had asked the central bank to look into its feasibility. Brazil has been absent from the international bond market for nearly two years.

According to central bank statistics, Brazil hs $2.8bn outstanding in bonds on the international market,

The Swiss bank proposed that in the next round of Brazilian debt renegotiations, expected to start after September, the $2.5bn owed to Swiss commercial banks be conerted into Swiss francs.

Bonn aid for Salvador

BY RUPERT CORNWELL IN BONN

WEST Germany yesterday announced a DM 51m (£13.5m) aid package for El Salvador, thus ending a five-year break in such assistance to the war-torn Central American country.

The aid measures, which include DM 27.6m of funds earlier approved but subsequently suspended, were finalised during the current visit to Bonn by Sr Jose Napoleon Duarte, the recently elected Christian Democrat President of El Salvador.

In talks with Chancellor Helmut Kohl and Hans Dietrich Genscher, the Foreign Minister, Sr Duarte was assured of West Germany's backing for the so-called Contadora initiative to bring peace to Central America.

Left-wing groups, including the Greens and the Young Socialists have protested here against the Duarte visit, claiming that human rights are still being violated by the new Government.

Ortega to stand for President

BY TIM COONE IN MANAGUA

SR DANIEL ORTEGA, the head of Nicaragua's three-man ruling junta, was expected last night to be confirmed as the Sandinista Party's presidential candidate for the November 4 elections.

Sr Ortega has emerged as the key political figure out of the nine-man collegiate leadership in the five years since the 1979 revolution that overthrew President Samoza. But all main policy decisions are still invariably taken collectively by the nine Sandinista "commandantes." The Sandinistas are widely expected to win both the presidential elections and an absolute majority in elections for the 90-seat National Assembly on November 4.

The President and Vice-President will assume the powers of the present three-man Government junta after the elections, until the new National Assembly draws up a constitution over the next two years.

The main opposition parties, *despite their criticisms* of the electoral process, are nonetheless moving towards participation in the elections. The Conservative Democrats, Social Christians, Liberal Independents, and Socialists have all nominated their presidential candidates and are encouraging voters to register at the end of the month for the elections.

Their main criticism of the electoral process has focused on the state of emergency, which has been in existence for over two years, as a result of the U.S.-backed guerrilla war being waged inside the country, and which limits Press and political activities.

However, most, if not all, the restrictions are expected to be lifted tomorrow, the fifth anni*versary of the revolution.*

Meanwhile, a second meeting has taken place between Sr Victor Tinoco, Nicaragua's Deputy Foreign Minister, and Mr Harry Schlaudeman, *President* Reagan's special envoy to Central America, this time in Atlanta, Georgia.

The U.S. has held the position *that the FDN guerrillas,* which it has been financing and directing, should be allowed to take part in the elections, a stance which the Sandinistas have steadfastly rejected.

OVERSEAS NEWS

Lange draws up crisis measures for New Zealand

BY DAI HAYWARD IN WELLINGTON

MR DAVID LANGE, the New Zealand Prime Minister-elect, will today propose to his new Cabinet a package of economic measures to deal with the country's financial crisis, including a possible devaluation of the New Zealand dollar. However, no announcement is expected until after the proposals have received a full review by the Cabinet.

Meanwhile, foreign exchange dealings remained suspended for a second day, with speculation growing that a devaluation of around 15 per cent may be planned. Travellers *going abroad were yesterday* allowed foreign currency at 15 per cent below the rates against the U.S. dollar before foreign exchange dealings were suspended at the weekend. Another possibility, however, is that the new Government may decide to let the New Zealand dollar "float" against other currencies.

Mr Lange's decision to call together his Cabinet, which will not formally take office until next week, followed 24 hours of drama which provoked a constitutional crisis and has now put the political career of Sir Robert Muldoon, the outgoing Premier, in serious doubt. Speculation was rampant last night that Sir Robert could be removed as leader of his National Party before the end of the week.

Only intervention by his former Cabinet ministers yesterday persuaded Sir Robert to back away from his defiant stand against any devaluation and refusal to co-operate with Mr Lange, whose Labour Party achieved a decisive win in last Saturday's general elections.

Following a call by Mr Lange, senior members of the former Cabinet held an all-night sitting and took advice from Mr Bernie Galvin, head of the Treasury, and Mr Spencer Russell, governor of the Reserve Bank. Both officials revealed that they had advised Sir Robert to devalue a month ago.

After other hastily arranged meetings with other top officials, Sir Robert sent a message to Mr Lange: "Tell me how much you want to devalue the dollar and I will implement that proposal."

The financial crisis has left the country's reserves dangerously low. It is being suggested in financial quarters that, since the snap elections were announced on June 14, between NZ$1.5bn and NZ$2bn have poured out of the country. Official information indicates that New Zealand has only sufficient reserves to pay for one month's import bill, about NZ$1.2bn.

The political future of Sir Robert, who is formally to remain as Prime Minister until next week's handover, must now be seriously in doubt. Already some backbench MPs have criticised Sir Robert's claim that he is unquestionably going to continue as party leader.

The 37 National Party MPs remaining in Parliament meet tomorrow, and it was being suggested in Wellington last night that, if Sir Robert is to survive as party leader, it will be only by giving an undertaking that he will step down voluntarily within a year's time. Older MPs seem prepared to accept this so that Sir Robert could retire with dignity.

THE NEW Labour Government includes two Maoris and two women—the first time any New Zealand Cabinet has had more than one of either, Dai Hayward reports.

Mrs Anne Hercus, a tough sharp debater, often called New Zealand's Margaret Thatcher, was a certainty, but the inclusion of Margaret Shields, mother of two, who increased Labour's majority tenfold in a marginal seat, is something of a surprise.

The two Maoris are Dr Peter Tapsel and Mr Kora Wetere. Mr Wetere will probably get the Maori Affairs portfolio, while Dr Tapsel may become Minister of Internal Affairs.

Portfolios will be allocated at the first Cabinet meeting of the new Government.

Anzus pact 'threatened if N-powered ships banned'

BY OUR WELLINGTON CORRESPONDENT

THE U.S. regards visits by its nuclear-powered ships to New Zealand and Australian ports as essential for the continuation of the Anzus mutual defence treaty grouping the three countries.

While not mentioning nuclear-powered vessels specifically, the communique issued yesterday at the end of the annual Anzus Council meeting said: "Access by Allied aircraft and ships to the airfields and ports of the Anzus members is essential to the continuing effectiveness of the Alliance."

The incoming New Zealand Government led by Prime Minister-elect David Lange is pledged to ban all nuclear-armed ships from landing in New Zealand, but it is understood that Mr Lange does not regard his plan to review the Anzus treaty as a high priority.

Therefore, it is thought here than the U.S. is unlikely to provoke a confrontation with the new Government by asking to send a nuclear-powered ship to New Zealand soon.

● Mr Walter Mondale, who is expected to win the U.S. Democratic Party's nomination to stand against President Reagan in November's American elections, yesterday called on Mr Reagan not to threaten New Zealand in an effort to force it to open its ports to nuclear ships, **Reuterr eports from San Francisco.**

"I am convinced," Mr Mondale said, "the new Government of New Zealand wants good relations with the U.S. What is needed now is a respectful dialogue between the two governments."

Philippines strike call

MANILA—Labour leaders said yesterday that 52 per cent inflation, widespread lay-offs, and Government restrictions on union activities may force them to call a nationwide strike.

The leaders of a coalition representing 800,000 workers said a Filipino worker needs at least 130 pesos (£5.60) a day to survive, although the national minimum wage is only 49 pesos and most workers earn much less.

In a joint news conference, leaders of unions affiliated with the National Coalition of Workers Against Poverty said they were meeting with less militant unions to discuss the need for a nationwide strike.

The union leaders gave no date for the strik: but said it *would be some time after the* July 23 opening of the National Assembly.

Statistics reported yesterday by the private Centre for Research and Communication showed inflation in June reached 52 per cent over Junt 1983. The peso was devalued 22.2 per cent on June 6.

AP

S. Africa fears interest rate rise is inevitable

BY JIM JONES IN JOHANNESBURG

DR GERHARD DE KOCK, South Africa's Reserve Bank governor yesterday said that further interest rate increases cannot be ruled out.

Reacting to the announcement that the country's five major banks had increased their prime lending rates from 21 per cent to 22 per cent, De Kock said in Pretoria that further interest rate increases were possible unless the gold price remained at about $350 an ounce or edged up without the dollar keeping pace.

Higher bank lending rates became almost inevitable two weeks ago following gold's price collapse below $340. The Reserve Bank then increased its discount rates by 0.75 per cent to 18.75 per cent to dampen speculation by the banks against the rand after earlier selling of dollars had failed to halt the rand's decline.

In Johannesburg there are fears that the rand will continue to drop against the dollar despite some gold price strengthenmg.

Companies will dollar commitments are busily covering forward, resulting in greater downward pressure on the rand because of demand and technical factors.

The gold price recovery of the past two days is seen as a temporary technical correction underlined by the fact that an increasing numer of gold mining companies have decided to sell gold forward at fixed rand prices.

Corporate treasurers believe that a further decline in the rand may be inevitable and that this will lead to still higher local interest rates. They believe that the rand will continue to weaken as long as South Africa's inflation rate remains higher than those of its main trading partners and that inflation will be exacerbated by the rising rand cost of imported goods.

Sikh sect begins work on Golden Temple

By K. K. Sharma in Amritsar

A DIVISION in the Sikh religious community in Amritsar yesterday threatened to heighten tensions in the holy city. It could create further problems for the Indian Government which is undert attack for fuelling the trouble.

The split began early yesterday morning when Baba Santa Singh, head of the warrior Nihang sect, entered the golden temple with more than 200 armed followers and began clearing the debris there. By doing so, he began a highely controversial Kar Sewa (voluntary labour) which the leaders of the Akali Dal, the Sikh political party, have been avoiding as long as the army is in control of the Golden Temple.

The Nihang leader's action was angrily denounced by the five high priests of the Sikhs who ordered their followers to quit the Golden Temple and threatened the armed Nihangs with excommunication. Sikhs in Amritsar widely believe that the Government encouraged the Nihangs to begin the Kar Sewa in a bid to split the community.

AP adds: Police and para-military troops broke up an attempt by Sikhs protesting the Nihang action to march on the Golden Temple yesterday and arrested 14 people

WORLD TRADE NEWS

Shippers seek airlift around UK strike

BY OUR FOREIGN STAFF

AIR FREIGHT brokers and air charter operators have been inundated with inquiries since the start of the British dock strike which began on Monday. The impact of the dispute on trade and business appears to be limited, however, except on the movement of perishable foods.

"Some potential shippers are sitting on the fence, waiting to see if the strike is going to continue," a spokesman for Tradewinds Airways, the Lonrho-owned cargo airline, said.

The inquiries, though, can be impressive. One exporter is reported to be contemplating sending more than 400 tonnes of glass fibre mouldings to Malaysia, a job that would require four jumbo jets.

"Some companies are sounding desperate and business has been hectic," a spokesman for Hudsons *Air Chartering, a subsidiary of* Hudsons Offshore Holdings, said. "These are not joke inquiries."

Tradewinds said it was leasing a DC-10 freighter with capacity of 68 tonnes to meet the rise in demand, and it planned further leases.

Most of its increased traffic in the past few days has been for imports of perishable fruit, notably nectarines and peaches from Italy.

The Guernsey Tomato Marketing Board has chartered two Hercules aircraft. These are making four runs a day into Hurn airport at Bournemouth, on the south coast of England. Producers in Jersey have also begun an airlift.

The *Transport* and General Workers' Union has agreed to allow the two islands to ship up to half their seasonal produce by air. Growers are having to dump the rest of the crop, amounting to 100 tonnes of fruit a day.

Cigarettes and chemicals have also been airlifted from the European continent. Major export orders have included a shipment of chilled English lamb for the continent.

In the Netherlands, the cost of chartering space on cargo planes bound for the UK has doubled. More than 80 per cent of Dutch exports to Britain normally go by sea, and the strike has forced traders to compete with each other for space on all available aircraft.

The hardest hit exporters are those selling fruit and vegetables, and British Caledonian is now *flying* in tomatoes and other perishable foods to the UK market.

Direct freight traffic between Belgian ports and the UK was at a standstill yesterday. Passenger and car traffic was moving normally.

The heaviest flow of freight is normally through Ostend to Dover and Folkestone on Sealink/Regie des Transports Maritimes services. Usually there are 80 trailers and 35 accompanied trucks awaiting passage. By yesterday the numbers had climbed to 100 and 40 and trucks arriving from the hinterland were being conducted to a holding area.

Port officials said that operators had told manufacturers to hold back on deliveries. So far this had prevented traffic jams.

In the past two days three ships have arrived from outside Europe to unload at Zeebrugge cargo destined for the UK. Similar diversions are starting to occur at the container port of Antwerp.

Several thousand lorries were stranded in French channel ports yesterday, but tourist ferry traffic was crossing normally.

Port authorities at Calais said more than 150 lorries were filling all available dockside parking space. At Cherbourg 150 or more lorries have been waiting since Sunday, and one freight ferry company has stopped work altogether.

At Le Havre, more than 50 lorries were stranded, but elsewhere port officials said haulage companies appear to be have heeded warnings not to send their trucks to the Channel. *At Boulogne, Dieppe and Dunkirk* only a few lorries were waiting yesterday.

In the Irish Republic lorry drivers blocked the Sealink terminal at Dun Laoghaire. The drivers are protesting about the fate of 130 colleagues who are stuck in Britain because of the docks dispute.

The dockers' strike is almost as serious for the Irish Republic as it is for Britain because almost half of Ireland's exports go through UK ports.

The Irish Exporters Association says thousands of workers could be laid off next week if the strike continues.

Meat factories have already stopped taking cattle for slaughter and extra sailings are being arranged between Ireland and continental ports.

Mr Liam Conellan, director general of the Confederation of Irish Industry, has appealed to consumers to buy Irish goods to help to alleviate the effects of the strike.

About 30 per cent of Irish exports go to Britain, but Irish-owned companies account for a disproportionate amount of this, with more than 60 per cent of their exports going to British customers.

The protesting lorry drivers are allowing only foot passengers on to the Dun Laoghaire-Holyhead ferry.

Banana cargoes may be dumped

FINANCIAL TIMES REPORTER

SIXTY million bananas on board three Geest cargo ships due to dock at Barry, South Wales, in the next few days will have to be dumped if they are not unloaded because of the UK dock strike.

The bananas, worth over £3m, come from the Windward Islands in the West Indies where Geest handles the entire crop from 25,000 small family farms. Trade union and government representatives in the Windward Islands have asked the Transport and General Workers' Union in Britain for special dispensation for the three ships to be unloaded. The farmers' livelihood is entirely dependent upon bananas.

Geest, which has its headquarters at Spalding in Lincolnshire, said the banana boats had refrigeration units to chill the produce but, after arrival, the fruit would only keep for a week at most.

"As things stand at the moment, it seems that the bananas will perish and we will then have to consider laying off 200 workers," Geest said. The workers were employed as packers, loaders and lorry drivers responsible for distributing the fruit to wholesale and retail markets.

Geest said that if the strike continued, bananas would become non-existent in Britain within 10 days.

Howe attacks curbs on freedom of trade within Community

BY CHRISTIAN TYLER

BRITAIN is determined to see administrative barriers to trade within the EEC dismantled, Sir Geoffrey Howe, Foreign Secretary, said last night.

Unless Europe fulfilled its treaty obligation to complete the internal market, it could scarcely expect the rest of the world to stand firm against trade protectionism, he said.

Harmonisation of standards had been slow, cumbersome and limited: "All too often we are running fast only to stand still." For example the government was trying hard to persuade West Germany not to legislate too quickly on motor vehicle exhaust control, because that could cut across proposed Community-wide controls.

Sir Geoffrey cited the lack of cross-border insurance services as another obstacle to a genuinely common market. Industry's costs could be cut by up to 5 per cent if there were EEC-wide insurance policies.

Separate customs procedures and lorry quota arrangements were costing European business another £7bn a year, he claimed. In air transport, the UK had made a start in opening up what he called "a price-fixing cartel" with a bilateral agreement with the Netherlands to cut London-Amsterdam air fares by 40 per cent.

Speaking at a Trade Policy Research Centre dinner in London, the Foreign Secretary said that the U.S. budget deficit, while promoting growth in the short term, had helped "the soaring strength of the dollar" and was stimulating protectionist pleas as imports flooded in.

He urged the U.S. administration to resist the pressures and "to recognise the longer-term damage that would be done to us all." If further action was taken, as threatened, on steel, textiles, copper and footwear, the trading prospects of all countries would deteriorate, he said.

"The risk of retaliation and counter-retaliation would endanger the liberal international trading system itself."

Sir Geoffrey suggested that conflicts of interest between the U.S. and Europe could be managed "by patient negotiation and by a common readiness to seek accommodation." Last week's agreement on the Western allies' new list of controlled exports of strategic goods to the Soviet bloc was "a striking reminder of how these things could and should be managed," he said.

UN seeks new accord on flag of convenience ships

GENEVA — A UN conference seeking a new international accord on so-called "flags of convenience" opened in Geneva on Monday to try to define the link betwen ships and the national flags they sail under.

Such an accord could weaken or phase out "open registry" operations in which ship owners use the flags of other countries —Liberia, Panama, Cyprus, Bermuda and the Bahamas—to gain tax benefits, save on wages and cut costs.

Developing countries, which create some 60 per cent of world exports but own only 15 per cent of world shipping, have been pressing for such an accord, saying it could help them expand their fleets, according to the UN Conference on Trade and Development which is sponsoring the meeting.

Conference president Mr Lamoine Fadika of the Ivory Coast told representatives of 100 governments and non-governmental groups that an agreement would be timely.

● Mr Timofei Guzhenko, Soviet Merchant Marine Minister, said yesterday the Soviet Union was not trying to win an unfair share of world freight with subsidised rates. Speaking at a Moscow Press conference in response to allegations by non-communist countries and shipping lines that the state-owned merchant fleet undercut world tariffs with its subsidised prices, he said the accusations were based on "a total lack of knowledge or a wish to distort our policy."

Mike Faber examines the detail of Ghana's complicated new deal with Kaiser Aluminum

How Nkrumah's dream became a commercial reality

THE GOVERNMENT of Flight Lieut Jerry Rawlings might not be everyone's prime choice to bring off a complicated and delicate negotiation with a U.S. multinational. Yet the agreement just announced between Ghana and the Volta Aluminium Company (Valco: owned 90 per cent by Kaiser Aluminum and Chemical and 10 per cent by Reynolds Metals) is likely to be hailed as a commercial success, and will be welcomed by international financing institutions.

In broad terms, the agreement could be worth up to $50m (£37m) a year to Ghana when and if the aluminium price and the level of water in Lake Volta fully recover from the present drought. It will also do much to assuage the resentment of Ghanaians who feel that they were short-changed 24 years ago in one of Africa's most monumental deals.

The arrangements agreed in 1962 between President Kwame Nkrumah, Mr Edgar Kaiser, President John F. Kennedy, the World Bank, U.S. Eximbank, the British Government and others led to the construction of the Volta River dam and Akosombo power station, the formation of the most extensive man-made lake in the world and the construction of Africa's largest aluminium smelter.

Revenue from energy sales to the smelter would service the debt incurred in building the dam and power station and the surplus energy, available at a reasonable price, would, in Dr Nkrumah's thoughts, facilitate Ghana's industrialisation. He also planned, and most Ghanaians expected, that within a reasonable time the smelter would use Ghana's own bauxite resources.

Since the 1960s, however, the inconsistencies between Dr Nkrumah's dream and Kaiser's commercial requirements have become increasingly obvious. Industrialisation has floundered. Ghana stil exports its bauxite while the smelter still imports the shareholders' alumina.

After two oil crises, an energy price fixed in 1962 and contractually unchangeable for 35 years became politically and commercially unsustainable — even with the base price being allowed to rise from 2.625 to 5.6 mills per kilowatt hour. (A mill is one-tenth of a cent.)

The main elements of the new deal are these:

> Ghana's chief negotiator in the Valco talks yesterday expressed cautious satisfaction with the deal, pending a major review of its terms in 1988, writes our Trade Staff.
>
> Under the terms fixed last week, the agreement will be examined then "to see if it continues to be fair to Ghana, Valco and its shareholders". Later reviews, at five-yearly intervals, are likely to be more routine in substance.
>
> Professor Akilakpa Sawyerr, who chaired Ghana's negotiating team, said the first review would focus on tolling fees and power charges and would not need to tackle the agreement's basic principles unless a disruption such as another big rise in international energy prices occurred.
>
> He expressed confidence that production of some kind will resume at the aluminium smelter by the end of this year, owing to an anticipated replenishment of Lake Volta.

● Valco's "power ceiling" comes down from 370 mW to 315 mW, sufficient in normal years to run four rather than five potlines in the smelter. In part this reflects a downward revision of the hydrological assumptions, but the change also leaves the Volta River Authority (VRA) with an extra 13 per cent of its capacity to sell to Ghanaian users or to export at prices three times as high as Valco's new power rate and nine times as high as the old one. In a good year that change could benefit VRA revenues by up to $25m.

● The tolling fee—what the shareholders pay to have their alumina processed into aluminium in the smelter—goes up from 60 per cent to 68 per cent for the next three years, and will then be reviewed. In the past, the smelter has been regarded somewhat as a service facility for its shareholders. From now on, it will operate much more as a company in its own right, seeking to maximise its profits even if it has to increase its fee to its two shareholders who are also its only customers. The increase also reflects the depressed state of the alumina and shipping markets, since the logic of the three-year arrangement is that it should be on the basis of arm's-length pricing.

● The base power rate will go up from 5.6 mills to 17 mills a kilowatt hour. The actual rate charged, however, will be altered by two factors. There is an escalation provision which links two-thirds of the power rate to the price of aluminium. There will also be reductions in the power rate when energy delivered falls below the new power ceiling. Since the metal's base reference price is 73 cents a pound, both adjustments are likely to operate downwards in the immediate future. The current spot market price for aluminium is about 60 cents a pound.

● Standard income tax will go up from 40 to 46 per cent. Interest withholding tax at 10 per cent and dividend withholding tax at 15 per cent will apply, unless over-ridden by tax treaty provisions. However, the dividend withholding tax will operate at the reduced rate of 5 per cent on Valco's $121m of retained earnings.

● The Government has accepted two seats on Valco's board. It was also offered 20 per cent of the equity of Valco at book value. Since the book value is likely to decline for the next year or so, Ghana's reply was "not at present, thanks . . . but we'd like the option to be kept open." Kaiser regards this as unacceptably "rifle-shooting" the purchase price, so the position has been left for future discussion.

What have Valco and its two shareholders got out of the new agreement? A power allocation formula which, unlike the one in the present contract, is realistic and can therefore be applied. Increased security for their investment as a result of the removal of provisions that all Ghanaians have long felt operated inequitably—a fact which senior Kaiser executives themselves recognised in describing the new agreement as "fair" and "an improvement." Shareholders' rights in regard to the repatriation of dividends have also been strengthened.

Professor Faber is director of the Institute of Development Studies at Sussex University and was a member of the Commonwealth Secretariat team assisting Ghana in the negotiations.

Fontana mill purchase concluded

BY ANDREW WHITLEY IN RIO DE JANEIRO

PURCHASE OF the mothballed Fontan steel mill in California by a consortium of Brazilian, Japanese and U.S. companies has been concluded, guaranteeing a major customer abroad for Brazil's Tubarao steel works.

Tubarao, a producer of semi-finished slabs, came on stream last November. But all of its output until now has been restricted to trial shipment.

A letter of intent to purchase Fontana from its owner, Kaiser Steel, was signed last Friday by the three consortium partners: Cia vale do Rio Doce of Brazil, Kawasaki Steel of Japan and Wilkinton of the U.S. Formal conclusion of the deal was expected yesterday.

According to CVRD, Fontana will take 700,000 tonnes of slabs a year from Tubarao, which is part of the state-owned Siderbras group. This sale represents nearly a third of the capacity of the new Brazilian steel works, over whose long-term viability doubts had been expressed.

The last hold-up to conclusion of the unusual triangular deal was cleared last week, following the publication of the findings of the U.S. International Trade Commission on steel imports.

In the case of semi-finished products, the ITC recommended an annual import ceiling of 1.5m tonnes, with a 15 per cent surcharge on any excess imported during the first three years of the new restrictions and 10 per cent in the two subsequent years.

Although the regulations will not come into effect until President Ronald Reagan has pronounced on them in late September, the Fontana consortium partners appear to have concluded in advance that they will not be affected.

Sr Jose Manoel de Carvalho Netto, superintendent of CVRD, said in Rio de Janeiro on Monday that the Brazilian company's 25 per cent shareholding will be paid for largely out of a $15m indemnification to be received from Kaiser.

Its remaining contribution will come from the sale of Tubarao steel products—under a private arrangement between the two Brazilian state-owned companies.

Wilkinson, which is taking a 50 per cent shareholding in the Fontana steel mill, will manage the works.

● Hopes of a breakthrough in the Latin American market for Agusta, the Italian state-owned aircraft and helicopter manufacturing company, have been dimmed by the refusal of the Brazilian Aeronautics Minister to place orders for two military aircraft to be built under licence in Brazil.

Sial Marchetti, a subsidiary of Agusta, recently reached agreement in principle with Aerotec, a small Brazilian aircraft components manufacturer, for the local assembly of a single-engined, turboprop aircraft and a twin-engined amphibious plane.

Australian beef quota agreement likely in Tokyo

By Robert Cottrell in Tokyo

THE Japanese and Australian governments are due to resume talks in Tokyo tomorrow on quotas for Japanese imports of Australian beef over the next four years. Japanese officials are indicating that an agreement is likely this week, three months after the first round of meetings.

The Japan-Austrlia talks followed an agreement in April this year between Japan and the U.S. to boost Japanese imports of U.S. beef by an average of 6,900 tons per year over the coming four years.

But Japan said it would raise its total beef imports by only 9,000 tons annually, diminishing the market share of Australian producers, who supplied most of Japan's 141,000 tons of beef imports last year. The U.S. supplied about 30,000 tons.

Otis Elevator signs joint venture contract with China

HONG KONG—The Tianjin Elevator Company, Otis Elevator and China International Trust and Investment Corporation (Citic) have signed a joint venture contract creating China Tiajin Otis Elevator Company.

This will be China's second joint venture with a foreign company to make elevators. The first, thought at the time to be exclusive, was set up in 1980 with Jardine Schindler of Hong Kong, to run factories in Peking and Shanghai.

According to Wang Uun Qi, president of Tianjin Elevator, the new company will instal and service elevators to meet the burgeoning demands of the Chinese domestic market, but will also export. Wang said hte partnership with Otis will enable Tianjin Elevator to strengthen its leadership in elevator technology and service in China.

Details of the joint-venture contract are not yet available as final negotiations are still in progress, a Hong Kong Otis representative said.

Mr Francois Jaulin, president of Otis Elevator Company, said the joint venture would enable Otis to return to China, where it was the leading elevator company prior to 1945.

Otis, the world's largest elevator company, will help the Tianjin company in developing new products and technologies. Citic played a key role in helping the two elevator companies negotiate the contract and will continue to help guide the joint venture.

Otis is a wholly-owned subsidiary of U.S.-based United Technologies Corporation.

● Japan's Taisei Corporation has won a Y10bn (£3.1bn) contract to build a water-conducting tunnel for an electric power plant due to be built in southern China. China plans to build the plant and dam at Lubuge in Yunnan province with World Bank finance.

AP-DJ

TECHNOLOGY

EDITED BY ALAN CANE

LOGICA CENTRE TO SPECIALISE IN KNOWLEDGE BASED PROGRAMS

Intelligent tutors are next for call up

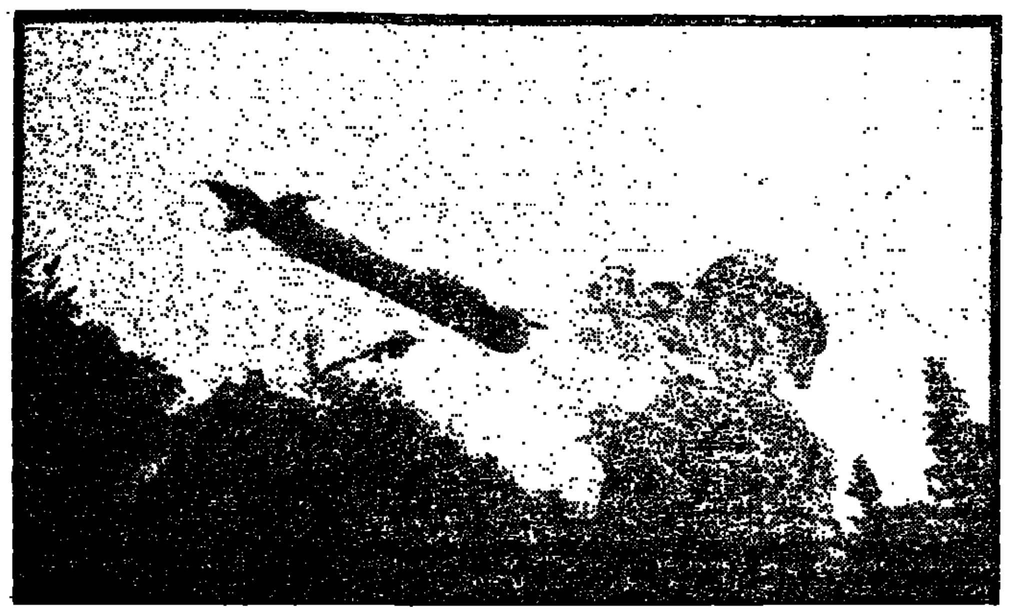
BY PETER MARSH

BRITISH SOLDIERS may soon learn to operate the latest military hardware with the help of a computer that understands their feelings.

Besides instructing military staff in a particular subject, the machine would continually update itself on how well the student was assimilating the information. The hardware would do this by periodically asking the person questions, processing the answers so as to keep a blueprint of his or her capabilities in a semi-conductor memory.

In this way, the system would vary its procedure to give slow learners a different level of tutoring to those who had shown they could grasp information more quickly.

The "intelligent tutor" is the result of a joint project between the Ministry of Defence's Royal Signals and Radar Establishment at Malvern, Worcestershire, and Logica, the computer company.



A "Blowpipe" missile leaves its launcher. "Intelligent" computers will help to train the military in sophisticated hardware like this.

According to Dr David Stanley, head of a new technical centre that Logica has set up in Cambridge, the project could lead to applications not just for military people. Software from the development could also be used in projects involving civilians, for example interrogation systems to make it easier for people to extract information from a large mass of complex data.

In one such application, engineers from Logica and ICL are designing computer routines to enable people to find out information about cash benefits from data bases provided by the Department of Health and Social Security. This is a programme funded by the Government's Alvey directorate, which is attempting to stimulate research into novel uses of computers.

Dr Stanley, Logica's technical director, is directing a team of 15 researchers in Cambridge. The company hopes to double the people in the team by next year. The centre will emphasise studies in artificial intelligence and knowledge-based programs that give computers reasoning powers approaching that of the human brain.

In the specific project under study by Logica and the RSRE, engineers are designing a computer to teach officers the complexities of international legislation, for example as it affects the air defence of Britain or the activities of the North Atlantic Treaty Organisation.

By the time the work is finished next year, however, engineers hope that the hardware could equally be applied to teach military people the rudiments of new weaponry or the latest in missile technology. Initially, students will communicate with the computer via the time-honoured technique of typing in sentences on a keyboard.

But eventually Dr Stanley has no doubt that, thanks to advances in voice-recognition programs, men and women will communicate with such computer-aided learning systems simply by talking to them. "In about five years a lot of interaction between people and computers will be by speech," he says.

Other areas on which the Cambridge team will work include:

● Expert systems. These are computer programs that embody a mass of knowledge obtained from a human expert in a particular subject. Other people can gain access to the information by quizzing the computer. Logica is interested in expert systems that, for example, diagnose ailments from a mass of medical data.

● Data compression techniques. These could be useful in generating information from a large amount of data that, in the ordinary way, would have to be sifted meticulously by humans. In this manner, for instance, computers could present meaningful information about enemy movements from military command-and-control systems. Alternatively, hardware on remote-sensing satellites could screen data obtained from sensors about crop yields in fields, saving engineers the trouble of having to sift the information after it has been returned to the ground.

● Speech recognition. Logica plans to develop further a computer system called LOGOS that can understand a limited vocabulary. The hardware has applications where people have few opportunities to use a keyboard because they need to keep their hands free for other jobs. For example, the equipment could be a bonus for an aircraft pilot who, at the same time as wrestling with a joystick, could simply shout commands to a computer. Other people who could benefit in a similar way include foreign-exchange dealers.

● New forms of semiconductor chips. Dr Stanley thinks that companies such as Logica, whose main business is selling computer systems and consultancy services, should nonetheless keep up to date on techniques to squeeze more electronic elements into integrated circuits. This is on the grounds that, increasingly, the overall architecture of a computer system dictates the design of the individual chips from which the hardware is made.

● New forms of computer architecture. Most conventional computers process data in a serial way—one instruction after another. The machines of the future that will work on artificial-intelligence applications will probably require a different basic framework in which the hardware processes several trains of data simultaneously—they are said to work in parallel fashion. Logica is building a parallel processor called DIPOD. The company's engineers are also devising a new language called FITH in which the software for such machines will be coded. The work in these areas will gradually be shifted from other Logica laboratories to Cambridge.

● Software engineering. With the emphasis today on the software component of computer systems, electronics companies are trying increasingly to perfect ways of ensuring that programs are free from errors and *do the jobs for which they are* intended.

DATA COLLECTION

Rag trade benefits from 'plane thinking

TWO BRITISH innovators have adapted to the needs of the UK clothing industry, technology developed in California for one of the world's leading aerospace companies.

Production Control Information, a Sheffield company set up three years ago by Mr John McCormack and Mr Keith Benson, sells systems that record the output of sewing machinists in clothing factories. The equipment feeds data to a central computer so that supervisors can keep track of the myriad items of cloth likely to be circulating in such workshops.

The two men were part of the team which worked in the late 1970s on similar hardware for Hughes Aircraft of California. At that time the aerospace leader was interested in diversifying into other areas of industry. After leaving the company, the pair brought the technology to Britain to develop it further for the clothing business.

Mr McCormack, technical director of Production Control Information, explains that monitoring of output is a perennial problem in clothing plants. At the end of each day of work, supervisors often find that machinists have failed to make up the correct number of garments. Stray pieces of cloth are likely to have gone missing in odd corners of the factory.

In the data collection system sold by the Sheffield company, each machinist has a small terminal, essentially a card reader, which is linked to the main computer over the telephone lines.

With each bundle of cloth that has to be stitched together in a certain way, the factory employee is also given a small card. The card has on it two items of information — printed instructions for the machinist as to how to sew the cloth together and a bar code similar to those on the labels of supermarket goods.

After the worker has finished the job, he or she slides the card into the terminal. This relays to the central computer, via two intermediate computers or data concentrators, the information that the operation is completed. The machine also logs the amount of pay the machinist is owed for that particular activity.

The supervisor himself originates the cards, with the help of the main computer, after working out the operations that need to be accomplished to turn out a set number of garments. If for any reason output starts to fall short of the set quota, the relevant information is displayed on screens in the supervisor's office.

A system with about 200 work stations costs roughly £90,000. Mr McCormack says that much of the four years of development work comprised the perfection of software routines that transfer information in an efficient manner between the work stations and the data concentrators.

So far Production Control Information has sold the hardware to five clothing factories in Britain. The customers are Austin Reed, which has installed the equipment in its Crewe suit workshop, Corah (Barnsley, skirts and other clothes), Double Two (Wakefield, shirts), K Shoemakers (Kendal), and Lux-Lux (Glossop, underwear).

The Sheffield company has signed agreements with distributors to sell the system in the rest of Europe and also hopes for sales in the U.S.

P.M.

Displays

Colour graphics controller

A MICROCHIP for the control of colour cathode ray tubes has been launched by Hitachi of Japan.

It makes possible high resolution graphics displays in applications ranging from personal computers to design workstations.

The screen can be split into *separate "windows" for the* display of separate groups of information simultaneously.

All of these functions are built into the chip and so there is no need for complex software.

The importance of the new chip is that it packages in silicon at a price which could be as low as £100 in volume functions which otherwise require *elaborate and memory consuming* software to accomplish.

Electronics

Ferranti's control chip

THE MICROCHIP at the heart of Black and Decker's famous electronic power drill is now available from Celdis, the electronic distributors.

Designed and built by Ferranti, the ZN 411E is a motor control chip designed using uncommitted logic array techniques.

It has a soft start capability, precise control and the *ability to work in reverse.*

It comes as an 18-pin dual in-line package and will operate from the mains or a DC supply. It is ideal for power tools, lawn mowers, mixers and so on, Celdis says. More on 0734 585171.

Production

Metal folding

KEETONS SONS of Sheffield has developed a metal folding machine which can produce multiple bend workpieces in sequence from one bend to the next.

Called the Hydroform SC-20, the machine costs between £12,000 and £31,000. It can be programmed for Imperial or metric dimensions. This year it won the Machine Tool Industry Award for the Best Metal Forming Machine designed and built in the UK.

More on 0742 665289.

Software

Quest for Sinclair's QL micro

QUEST AUTOMATION of Chandler's Ford, Hampshire, is to write a version of the Digital Research operating system CP/M-68K for the Sinclair 32-bit QL microcomputer.

The QL as supplied presently comes with its own operating system QDOS, for which very few application programs have yet been written.

There is a rich library of programs available for machines running CP/M type operating system.

More on 04215 66321.

Office

Electronic filing

ANOTHER BASIC office "utility" computer program has become available in the UK this time through the UK computer manufacturer ACT, which has been appointed by Starcom Corporation of the U.S. to distribute its "Files and Folders" relational database management and report generation system.

Utility programs are popular because they automate a small but defined area of office work in a way which means they can be used quickly and simply: Files and Folders, for example, is described as an electronic filing cabinet. "Anyone who has ever had to create their own filing system using an old fashioned filing cabinet will immediately feel at home with Files and Folders," James Blackledge of ACT, says, a trifle ambiguously.

It costs £295; more details on 021 455 7000.

Analysis

Light from minerals

BOMBARD certain minerals with electrons and they luminesce, a fact which a Cambridge company Technosyn is exploiting in its new cathodoluminescence equipment.

Up to now the U.S. has made the running in this analytical technique; now Technosyn is claiming that its machines are intrinsically safer (electron bombardment produces x-rays) despite higher operating voltages.

The higher voltages means that minerals of special interest to the oil industry can be inspected. Technosyn has developed a high voltage cold cathode electron gun which operates with a simple rotary vacuum pump. More on 0223 212984.

UK NEWS

Government to appeal over union ban ruling

BY OUR POLITICAL STAFF

THE GOVERNMENT was yesterday granted a court order for an urgent hearing of an appeal against the High Court ruling on Monday that its ban on union membership at the secret intelligence gathering centre (GCHQ) was unlawful.

Sir John Donaldson, the Master of the Rolls (head of the civil division of the Court of Appeal), said that the case would be treated as an appeal of urgency and would come before the appeal court within the next four weeks.

Mrs Margaret Thatcher, the Prime Minister, indicated in the House of Commons that if the High Court ruling was not overturned, the Government would take the case to the House of Lords, the final court of appeal in Britain. "The Government like any other person or citizen in this country must and will accept the courts' final ruling," she said.

Opposition MPs were angered by Mrs Thatcher's insistence that the High Court judgment – which was that the union ban imposed earlier this year was contrary to natural justice because the staff had not been consulted – had "substantial implications for national security."

But the attacks on the Prime Minister ended in disarray when Mr Dennis Skinner, a left-wing Labour MP, was ordered to leave the chamber for five days for refusing to withdraw an allegation that she might seek to bribe the Appeal Court judges.

Mr Neil Kinnock, the Labour leader, condemned the Prime Minister for rushing to the Appeal Court. But Mrs Thatcher retorted that it was desirable to remove the uncertainty created by the High Court decision as soon as possible.

Trade union officials at GCHQ, which is based at Cheltenham, west England, were jubilant yesterday at the High Court decision. Union membership forms were distributed, but officials admitted that there was great uncertainty among the staff. "Most people seem to want to wait and see before taking any firm decision," a convenor said.

The Government offered GCHQ staff – totalling about 3,000 – compensation of £1,000 each for resigning union membership, which it insisted upon on the grounds of national security.

Britain takes stake in ESA satellite

By Our Aerospace Correspondent

THE UK is to be a major participant in the £325m programme to develop the European Space Agency's ERS-1 satellite programme, for a remote sensing satellite for coastal, ocean and ice-detection applications.

Britain will have a 14 per cent share in this venture, amounting to about £45.5m. The programme will be run by the ESA.

Marconi Space Systems of the UK will be leading the European team responsible for the design and construction of the main radar instrument to be carried by the satellite.

The UK Science and Engineering Research Council has also been selected against strong international competition to provide an along track scanning radiometer to give accurate measurements of sea surface temperatures.

The information from ERS-1, to be launched in 1989, will be of value to a wide range of users for forecasting winds, waves, sea-ice and weather.

Offshore industries, shipping, oceanographic interests, fishing and other maritime industries will all benefit

Below-forecast June borrowing eases concern over targets

BY PHILIP STEPHENS, ECONOMICS STAFF

BRITAIN'S public borrowing amounted to £1.1bn in June, taking the total for the first three months of 1984/85 to £4.7bn, or almost two thirds of the £7.2bn planned for the whole year.

The June figure, however, was slightly below most forecasts and its release yesterday eased some of the concern in the City of London that the Government would find it difficult to meet its borrowing target.

The Treasury expects most of the public sector borrowing requirement (PSBR) to be concentrated in the first half of the financial year because of an irregular pattern of revenues and expenditure.

Spending in the early months, which is running at 7 per cent above 1983 levels compared with a target for the whole year of just under 6 per cent, has been boosted by the carrying over of some departmental outlays from 1983/84.

At the same time additional revenues from asset sales and accelerated payments of VAT on imports will be delayed until the second half of the year.

This seasonal imbalance has been a key factor behind the strong growth in the money supply in recent months, which has provoked concern in financial markets over the future course of inflation.

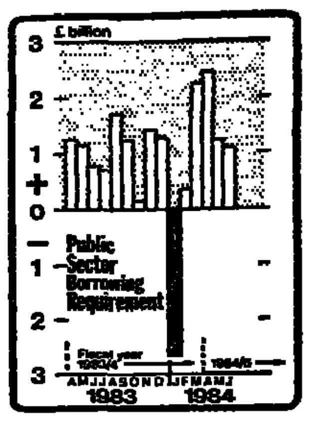
The City of London has also been worried about the impact on the PSBR of above-target public sector pay awards, the miners' strike, annd buoyant local authority spending. Many analysts predict that these will effectively wipe out the Government's £2.75bn contingency fund against unforeseen expenditure.

The miners' strike is estimated to be adding £25m to Government spending each week, and that figure will rise once coal re-stocking begins. Most public sector pay awards are running well above the 3 per cent limit for which the Government has budgeted.

Present spending budgets set by the local authorities are also £850m above target, while capital outlays appear to be over-running by at least £350m on an annual basis.

The Treasury, however, while apparently concerned by the pace of local authority spending, is confident that borrowing over the whole year can be held to the £7.2bn target.

Mr Patrick Jenkin, the Environment Secretary, is expected to announce new measures to curb local authority outlays on capital projects later today. Government revenues will also benefit from the fall in the value of sterling against the dollar, which boosts oil receipts, and the recent agreement which unblocks a £500m European Community refund.



In Whitehall last night officials were emphasising that the current pattern of spending and revenues was well in line with the assumptions made in the March budget.

The Government could not rely on a fall in public borrowing in the second half of the year to ease upward pressure on the money supply, City broker Phillips & Drew said yesterday.

Coal dispute talks look set for further breakdown

BY JOHN LLOYD, INDUSTRIAL EDITOR

FURTHER TALKS today between the National Coal Board (NCB) and the National Union of Mineworkers (NUM) are set to end in failure, as the two sides made clear they were not prepared to compromise on the main point of principle between them – the closure of pits on economic grounds.

Both sides are now preparing for a long war of attrition in the 18-week old strike over pit closures. Mr Ian MacGregor, the NCB chairman, yesterday gained the unanimous support of his 11-man board – six of whom are part-timers – for his strategy for the industry. Yesterday evening he held a private dinner for leaders of the two mine management unions to discuss the worsening situation.

Mr MacGregor told the board meeting that the major area of compromise with the union was on the phasing of pit closures.

The strike had cost the NCB between 37m and 38m tonnes of lost production, while a miners' strike in Queensland, Australia, and a likely U.S. miners' strike in October would further deplete world coal stocks – pointing to a need to build up UK stocks once the dispute ends. This would delay for many months the planned reduction of 4m tonnes of output with the loss of 20,000 jobs.

He is also prepared to put five pits previously marked for closure through the full and lengthy review and disputes procedure once more, with the possibility that some may be reprieved.

However, Mr MacGregor made clear that the must gain some formulation in the final settlement which allowed the NCB to close pits on economic grounds. He said that of the 79 pits closed in recent years the majority had closed on economic grounds and were understood to have done so by the NUM.

It was only the insistence by Mr Arthur Scargill, the NUM president, that such grounds were inadmissible which had forced the NCB to attempt to get written agreement for a process which had previously been uncontroversial.

The present formulation in the NCB's draft for an uneconomic pit is one which has "no further reserves... which can be beneficially developed" – with "beneficially" taken to have economic connotations.

Other formulations discussed during the previous talks included "usefully developed," but these were rejected by the NUM. Mr MacGregor said after the board meeting that he hoped new proposals would come forward from the union, but that possibility now appeared remote.

Although Mr MacGregor, as he was careful to stress, gained the unanimous backing of his board, ministers and government officials continued to fear that his handling of the propaganda side of his case was clumsy and played into Mr Scargill's hands.

His press conference yesterday, after the board meeting, was treated as an opportunity to put on record his determination "not to make an agreement which is harmful to this industry and all the people in it."

He said: "I hope... we are not forced to the conclusion that the NUM leadership want this strike to continue indefinitely. I cannot believe that the vast majority of miners would prefer a continuation of the present hardship and havoc to a quickly and sensible negotiated settlement."

Nuclear flask survives 100mph rail crash test

BY DAVID FISHLOCK, SCIENCE EDITOR

A TRAIN travelling at 100mph was deliberately crashed yesterday into a 48-tonne steel flask used for the transport of highly radioactive nuclear fuel.

The driverless British Rail locomotive, weighing 140 tonnes and coupled to three 35-tonne coaches, struck the yellow flask in a flash of flame and a cloud of acrid smoke. The engine came to rest on its side, with the cab disintegrated and the bogies ripped off. The flask, which had straddled the track on a wagon which was flung into the air by the impact, was apparently unscathed apart from one gouge where the locomotive's coupling hook smashed into its lid.

Within 30 minutes scientists and engineers declared the flask to be intact. The pressure of water inside the the flask, which would normally cool the nuclear waste, was said to have altered imperceptibly.

Sir Walter Marshall, chairman of the Central Electricity Generating Board, which arranged the demonstration to prove the safety of the flasks in transit, said: "The pressure has been maintained. The flask is intact and in fact there is less damage than we expected."

The crash, arranged in a slightly carnival atmosphere in Leicestershire in front of 1,500 invited spectators, cost about £1.6m. It was the latest in a £4m series of full-scale tests being made by the CEGB to *demonstrate the strength and* soundness of their transport system for spent nuclear fuel.

The same flask, a production model from Sheffield Forgemasters costing £250,000, had already survived a test last March when it was dropped from a height of 30ft. It will probably be used again in a third test, when it will be exposed to a fire at 800 degrees Centigrade.

No other European nation has undertaken such tests, although spent nuclear fuel movements across Europe to the French and British reprocessing factories by road, rail and sea, are building up rapidly.

The demonstration yesterday was described as a unique event in that not even the U.S. had made the conditions for a full-scale test so onerous. "In a scientific sense it is a waste of money," Sir Walter said. It was a demonstration made necessary, however, by the unwillingness of some people to accept scientific experiment and calculation.

The flask in the test was angled so that the maximum force would be exerted in an attempt to prise off the lid. But Mr John Hart, the CEGB engineer responsible for flask design and testing, acknowledged that the force of the train's impact – despite the drama of the occasion – was only half that exerted in the 30ft drop test last March.

Thoresen seeks bid clearance for Sealink

BY CHARLES BATCHELOR

EUROPEAN FERRIES, the Townsend Thoresen ferry operator, yesterday launched a last minute appeal to be allowed to bid for Sealink UK – British Rail's ferry offshoot – saying it would be prepared to offer £75-80m.

Mr Ken Siddle, Euroferries chairman, accused the Government of "privatisation perversity." If Sealink was sold for £50m, as some reports had suggested, a national asset would be going for the price of two new ferries, he said.

A Government decision on the sale of Sealink is imminent. Euroferries has been banned from bidding as a result of a Monopolies and Mergers Commission decision in 1981.

Three other companies are believed to have put in bids for Sealink. They are Sea Containers, a Bermuda-based group headquartered in London; Common Brothers Shipping of Newcastle-upon-Tyne; and a consortium including the present Sealink management and the National Freight Corporation.

Euroferries revealed yesterday that it had offered to sell off all of Sealink's shipping services if it were allowed to bid and retain only the ports. This would counter any concern about it increasing its ferry market share, Mr Siddle said. The proposal was rejected by Mr Norman Tebbit, Trade and Industry Secretary.

Mr Siddle said: "The price is perverse. Sealink comprises eight ports, 38 ships and, according to the latest accounts, adjusted net assets of £128m. The ports alone must be worth £30m, which means the rest of Sealink is being sold for a mere £20m."

Postal profits drop by £20m

BY JASON CRISP

POST OFFICE profits fell nearly £20m to £131m on a turnover up by nearly 5 per cent to £2.8bn in the year to March. The cost of sending second class letters has not risen since February 1982, and this was given as the main reason for the decline.

Lower profits were, however, still within the Government-set target which required the Post Office to make a 3 per cent pre-tax profit on turnover for its postal business. The Post Office also met other government financial targets which included exceeding the required £51m reduction in its external financing limit (EFL) and an improvement in efficiency.

The Post Office attracted strong criticism yesterday for the poor quality of service for the mail. Mr Alan Tuffin, general secretary of the Union of Communication Workers, said: "The Post Office is being run by accountants to meet the Government's financial targets. Service is now taking second place."

APPOINTMENTS

New chief for H & J Quick

After 27 years as chairman and managing director of H. AND J. QUICK GROUP Mr Norman Quick has decided the time for change has arrived. He will be succeeded by Mr Tim Worrall, who joins the board of Quicks on September 3 and will become the group managing director on January 1. Mr Quick becomes non-executive chairman. Mr Worrall joins H. and J. Quick Group after four years as managing director of GKN Autoparts (UK) division.

★

Mr John Luckman has joined EDWARD JONES GROUP from the International Hospitals Group as managing director of the company's health care establishments.

★

Mr G. Barrie Marsh, senior partner of Mace & Jones, has been appointed chairman of the MERSEYSIDE CHAMBER OF COMMERCE & INDUSTRY, LIVERPOOL, for the two years 1984-86.

★

Mr Robert J. H. Edwards, former secretary of the British Red Cross Society, has been appointed national director of the CHRISTIAN CHILDRENS FUND OF GREAT BRITAIN, a project dedicated to the sponsoring of children in Third World countries.

★

Mr J. Barry Lewis, managing director of Schauman (UK), has been elected chairman of the TIMBER RESEARCH AND DEVELOPMENT ASSOCIATION, and Mr Norman Munday, chairman and managing director of Tower Timber Group, has been elected vice-chairman.

★

Mr Alan Cornish has been appointed to the board of GOOD RELATIONS GROUP as group finance director. He joins from RCA Records where he was vice president, European regional office. Previous to that Mr Cornish was, for seven years, group financial controller at Associated Communications Corporation.

★

Mr Richard Beardon has joined the main board of the A. J. GOODING GROUP as group operations director. Mr Beardon was formerly operations director of TI Raleigh Industries.

★

Mr Gordon Parkin has become the new director/general manager of WILTSHIER HOUSING NORTHERN. He was surveying director.

★

LESSER LAND has appointed Mr Malcolm Yeulet as managing director following the resignation of Mr John Beatty, who is to become managing director of Rickworth Securities, a Lesser Group subsidiary. Mr Beatty is to remain a main board director of J. E. Lesser and Sons (Holdings) as well as taking up his new post at Rickworth Securities.

★

Mr Jeremy Sayers is to serve a further three years as a part-time member of the SOUTH WESTERN ELECTRICITY BOARD.

★

GALLIFORD has appointed Mr Brendan Dodd as managing director of its Coventry based subsidiary MBK Motor Rewinds.

★

Mr John Leighton and Mr Jan Scherphuis have joined the board of AMEV (UK), the holding company for Gresham Life Assurance Society and Gresham Unit Assurance.

★

CHARLES SHARPE AND CO has made the following changes: Mr Robert Coy, chairman, and Mr C. Raymond Coy have retired as executive directors. Both will continue as non-executive directors. Mr E. H. Littlewood, who joined the board in 1957, has become chairman. Mr C. R. Johnson has joined the board. He was manager of the Roots Seed department and is currently chairman of Unikals.

★

MATTHEW CLARK AND SONS has appointed Mr Martin Lyon operations director of Crokerton Haulage, part of the Matthew Clark Group.

★

KAE DEVELOPMENT has promoted Mr Tony Lucas to board director from senior market research executive.

★

VANDERHOFF COMMUNICATIONS has made two senior appointments. Mr Robert Panther has been appointed technical director, Vanderhoff Communications. He was previously chief engineer. Mr Tony Frere has been appointed sales director, BAL Passive Components, Vanderhoff subsidiary.

★

Mr Tom Eley has been appointed vice-president and managing director, Europe by Paradyne. He joins Paradyne from Manufacturing Data Systems, Inc., a division of Schlumberger where he has been vice-president sales, since 1982.

★

VAUX BREWERIES has appointed Mr Frank Nicholson a joint managing director of its Sunderland brewery division, Vaux Breweries (Sunderland). He joined Vaux in 1981 as tied trade director. For personal reasons Mr Richard Pettit has resigned as managing director of Vaux Breweries (Sunderland). He will also be leaving the board of the parent company.

ENERGY REVIEW

Nuclear reactors—a source of Finnish pride

By David Fishlock, Science Editor

RUSSIAN confidence in the two nuclear reactors which the Soviet Union has exported to the West is evident at Loviisa, the nuclear station just off the south coast of Finland. Their imprimatur, the words "Atomenergoexport, Moscow, USSR," are emblazoned in bold capitals on all four turbo-generators and on the floor of each reactor hall.

They are pressurised water reactors, of the same basic type that Britain is planning to build if it passes the Sizewell public inquiry. Like the American PWR, its Russian counterpart was originally invented to power nuclear submarines.

"Eastinghouse," as Americans have nicknamed their Russian rival, has exported its 440 Mw PWR—their equivalent abbreviation is VVER-440—to three Comecon countries, Bulgaria, Czechoslovakia and Hungary: and others including Poland, Romania and Cuba are planning to buy them. But the pride of the pack is Loviisa, and particularly its No. 2 reactor, for none bettered its 92 per cent load factor last year.

The Finns are heavy consumers of electricity, both in their energy intensive industries and for heating homes. Having virtually exhausted their hydro-electric resources, they turned in the 1970s to nuclear energy. Last year it accounted for about 40 per cent of their electricity, one of the world's highest proportions.

Simultaneously, two electricity companies each bought a pair of foreign reactors. One was the state-owned Imatran Voima Oy (IVO) which runs the national grid and also imports electricity both from Russia and from Nordic neighbours. IVO bought the two Russian reactors, each of 440 Mw capacity.

The other is Teollisuuden Voima Oy (TVO) owned by 23 industrial companies, including IVO, which owns 13 per cent. TVO is Finland's biggest electricity producer, all of which comes from a pair of boiling water reactors (BWRs) of Swedish design each of 660Mw capacity, bought from ASEA-Atom.

Thus the Finns have readily comparable experience with two different nuclear systems, installed over the period 1975-82. They have also enjoyed a degree of access unique in the West to PWRs in the Comecon countries.

The Loviisa reactors were a joint venture, intended to split equally the cost of work done, with Russia providing the nuclear steam supply system and turbo-generators, while Finland poured concrete and provided control, safety, ancillary systems, etc. In the event, Finland suffered rampant inflation during construction, while Russia adhered to its fixed-price contract, so two-thirds of the value went to Finnish industry.

The Loviisa reactors are built on a tiny island of granite inhabited only by elks. Fewer than 50 people live permanently within five kilometres, although several times as many have summer homes nearby. The island could accommodate one or two more reactors the engineers say.

Although a contingent of up to 900 Russian technicians camped at Loviisa during construction none now remain but the Russians are remembered as "a strong supplier, they really cared," by Mr Antero Tamminen, the station manager.

Mr Tamminen, a nuclear engineer, has made several trips to Novovoronezh 5, the first Russian 440 Mw PWR, and regularly exchanges visits with his opposite numbers running PWRs in Bulgaria (the first nation to have an export Russian reactor) and Czechoslovakia. None matches the performance of his No. 2 unit last year, he says proudly. Where the others are achieving load factors of about 80 per cent—good by Western standards—his best unit notched up 92 per cent.

Even he doubts that he can maintain this load factor but he will not be disappointed if it should fall to 85 per cent.

The main reason why Loviisa performs so well is the care everyone took during its construction, Mr Tamminen believes. For the Russians, it was export-quality engineering added to a conservative design. Expensive materials such as stainless steels have been used generously.

For the Finns, indigenous traditions of quality control and assurance were reinforced by the expertise of the Swiss consulting engineers Electrowatt. They claim their latest requirements on nuclear safety are tougher in some respects than those of the U.S.

One design feature currently exciting American interest is the choice of horizontal steam generators, where U.S. practice is to mount these massive components vertically. It reduces the height of the reactor hall and its containment. But the aspect of greater interest is that radioactive sludge cannot accumulate on the tube plate securing the ends of the steam tubes, as it can in the U.S. design. This sludge may be causing the stress corrosion cracking experienced by the U.S. tube plates.

A spent fuel cask is transferred from trailer to container wagon at Loviisa railway station.

However, direct comparison is difficult, since the Russian reactor uses much smaller components in its primary circuit. It has six loops compared with just two for a Westinghouse reactor of the same output.

Nevertheless, Loviisa's steam tube performance has been extraordinary by any standards. In two years of operation, the station has suffered the loss of only a single tube, out of 5,500 tubes for each of its 12 steam generators. That failure, Mr Tamminen says, was due to a welding fault, not stress corrosion.

A droll comment on Finnish confidence in the longevity of their reactors is a poster at Loviisa which shows that in the year 2050 the decommissioned reactors will be converted into nuclear saunas.

On another island just off the west coast near the town of Rauma are the twin reactors of TVO, with load factors last year well beyond 80 per cent. Both of Olkiluoko's boiling water reactors were built in less than six years—a little faster than Loviisa—to come on-load in 1982. The first was a turnkey contract executed by the Swedish group ASEA-Atom, but for its twin the Finns did the civil construction. This No 2 unit last year was Finland's second-best reactor, with a load factor of 88.3 per cent.

Again, the company is very proud of their performance. The No 1 reactor pumped power to the grid without interruption for 329 consecutive days last year. The number of reactor "scrams"— unscheduled shutdowns caused by malfunction—is low compared with U.S. experience of boiling water reactors, only one-tenth, the engineers claim.

For the past year they have been running the units just beyond their nameplate rating, at 103 per cent, and in the case of No 1 unit at 106 per cent for one week. This was done as part of the case TVO engineers were assembling for the nuclear licensing authority, for permission to raise the output of each reactor by 8 per cent.

Loviisa has no such plans to increase reactor output. But Mr Tamminen points out that his 440 Mw turbines have in fact been delivering up to 465 Mw by virtue of the low temperatures of cooling water drawn from the icy Baltic.

Where Olkiluoko and Liviisa differ most conspicuously, however, is in the provisions for fuel and its disposal. Loviisa orders its fuel each year from Russia, under a contract that stipulates the return of all spent fuel. The Russians send their own train and crew to collect the radio-active spent fuel. In effect, the Finns are merely leasing fuel for five years—two in the reactor and three to cool off before collection.

Olkiluoko's fuel is made mainly in Sweden although some has been made in West Germany. Russia is enriching uranium for this fuel. But Russia refuses to take spent foreign fuel.

The Chinese have recently offered to take it, but at a price TVO engineers say is "completely out of the question." Sweden also agreed in principle to take some fuel for storage in subterranean pools in its CLAB interim storage project, but again at a price the Finns found unattractive.

TVO has therefore begun a small-scale version of CLAB, hollowing granite pools on the island close to its reactors. It will avoid the expense and trouble of transport. But the TVO engineers also see the $50m initial investment as a spur to those offering reprocessing and storage to cut their prices if they want export business.

The Finns have laid plans for final disposal of highly radio-active waste. They are to have a facility ready by 2020, says Mr Ilkka Mikkola, manager of TVO's fuel office. They have just begun test drillings for possible sites.

In an office in Helsinki dominated by a huge ceramic-coated stove, a senior civil servant explained the nuances of Finnish nuclear policy. After France (about 50 per cent) and Scotland (41.5 per cent), Finland depends more on nuclear electricity than any other nation. It has outstripped hydro as the dominant source. Their problem is when to build the next tranche of nuclear capacity.

The official assumption is that electricity demand will continue to grow at an average of 3 per cent a year to 1995. The 11,000 Mw of installed electrical capacity is expected to meet this growth to the early 1990s. Assuming a new tranche of nuclear capacity will take seven to nine years to install, a decision is needed "soon"—this year, the nuclear industry says.

Others, wary of the big investment, counsel caution. They argue that the Government's energy conservation policy could depress demand, and that even if the nation ran short it could always import more from the Soviet Union. Russia has relatively few things the Finns are willing to take in exchange for the consumer and industrial products which they are eager to export.

Unlike other western nations, Finland has no significant opposition to nuclear electricity. People are proud of the country's nuclear performance and even know which reactor performs best. When Parliament decides it is time to expand further, the choice—for purely economic reasons—is expected to be more reactors.

The big question is how many and whose reactors. The Finns see five options: more Russian reactors, either two 500 Mw PWRs (uprated 440 Mw reactors) or one 1,000 Mw PWR; one or two Swedish BWRs; or a 900 Mw French PWR.

The Government says the present suppliers are the leading contenders, with France the outsider, for a project likely to go alongside the Olkiluoko reactors but to be managed jointly by the two nuclear utilities.

The utilities are currently making an assessment of the 500 and 1,000 Mw Russian reactors. Although no tenders have been invited, "the bigger one seems to be the more economical at the moment," says Mr Perttu Simola, secretary-general of the Finnish Energy Economy Association. The study should be finished this autumn.

The Swedes, on the other hand, have gone "overboard" on nuclear safety and may have priced themselves out of the market, he says. But he adds that they have been offering cut-priced models in Turkey and Mexico.

THE ARTS

Television/Christopher Dunkley

Three causes for concern

Though television is chock-a-block with bright and highly educated people, many of them exceedingly ambitious, it does sometimes seem as though the only strategic thinking about programmes that they ever manage is how to whop *Coronation Street* in the ratings. Is there anybody in ITV or the BBC thinking in the long term, or even the medium term, about where television ought to be going, what it wants to become, and how it would like to be regarded?

The question is prompted by doubts about the ethics of three programmes screened in the past week: *Case on Camera*, *Crimewatch UK* and to a much less important extent *Weegee the Famous*. The doubts vary widely. In the case of *Weegee the Famous* it is a question of what exactly we were being shown and, perhaps more important, what we were supposed to think we were being shown; *Case on Camera* revives all the old difficulties about trial by television; and *Crimewatch UK* pushes the debate about violence as entertainment to a new level of complexity.

It is amazing how little thought seems to be given to matters such as this when you consider how worried broadcasting people appear to be about the public standing of television. Scarcely a week goes by without the publication somewhere of a long and detailed complaint from a television executive about television not being taken seriously enough by the press. For newspapermen it is flattering of course: though their functions are supposedly being usurped by television, the new medium is till desperate for acceptance and praise from Fleet Street.

Sometimes when you get beyond the spleen all you find is a producer desperate for reaction—any reaction ("feedback")—to his own work. He feels deeply frustrated after slaving for months only to see his programme shot into the ether to disappear without trace or public acknowledgement. That, of course, is what happens to most of us whatever our work may be, but many television producers clearly feel entitled to the same treatment as film or theatre producers.

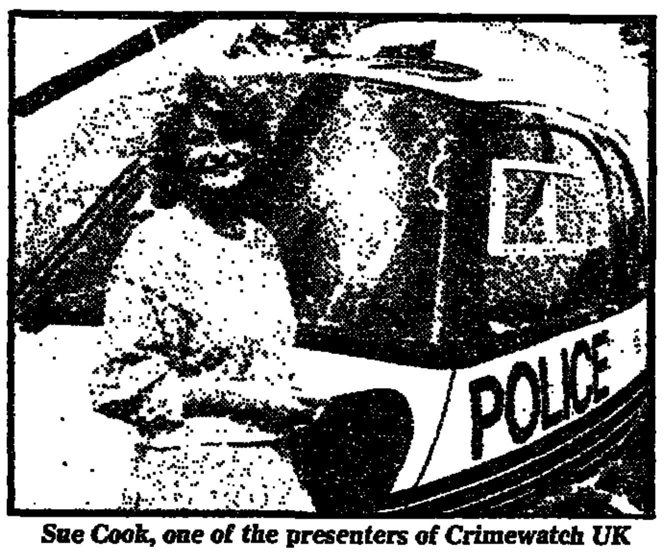
Personal pique is not always the motive, however. It is clear that there is also a widespread feeling among broadcasters that newspapers are largely responsible for perpetuating an image of television as something below the contempt of the intellectual establishment.

It has never been difficult to see why Fleet Street should feel differently about television from the way it feels about books, theatre, opera, ballet and so on: books, theatre, opera and ballet do not threaten a newspaper's very existence by competing to supply the public with a blend of information and entertainment, nor do they compete with newspapers for advertising revenue.

That said, one can still sympathise with television people who are irritated by the persistence of the pretence along the Hampstead/Cambridge axis that a television set is merely something one possesses to keep the au pair happy. Anyone who regularly casts an eye over the output of the two mass media of print and television knows that the ratio of quality to rubbish is about 9 to 1 in both cases, and it is hypocritical and dishonest for those educated within the quality end of the print culture, and often employed in it today, to pretend otherwise.

However there has up to now been one big difference between television and the other mass media, making television's task in overcoming traditional prejudice intensely difficult and this will continue to be so until the day when we all have video recorders and unmetered interactive cable channels and really can select precisely what material we want when we want it.

The difference is that whereas each of us can pay for just those books or plays which we want, it is in the very nature of broadcast television that every viewer is sent every programme, all of them linked together in a seamless ribbon. Strong minded viewers *can* pick out what they want and ignore the rest, but the free supply of so much tempting rubbish seduces all but the most iron willed.



Sue Cook, one of the presenters of Crimewatch UK

That being so, and remembering the anxiety within television over the image of the medium, it seems odd that so little attention is paid (or so it seems out here at the receiving end) to such a crucial question as programme ethics. *Weegee The Famous* on ITV on Saturday illustrated the problem at its most straightforward. The intention of director Andrew Piddington was clearly to convey an impression of the notorious New York news photographer "Weegee," and an impression was indeed conveyed. The question is: how much credence should we attach to the "documentary" material?

Atmospherically speaking it was a peculiarly powerful programme, and it did give a strong feeling of the man, but the word "documentary" is in quotes because only one section of the programme was identified as having been shot by Weegee himself. For the rest we had many of his stills (curiously much less shocking than when seen on the walls of the Photographers' Gallery exhibition) and then lots of blick and white film of people in period cars and period clothes. Were these shot by Weegee? Staged by Piddington? Or clipped from Hollywood movies such as *The Public Enemy*? We need to know before we can begin to calculate what historical significance to attach to the programme. The same applies to the voice-over narrative: was it Weegee's voice, Weegee's words and someone else's voice, or someone else's words and someone else's voice?

Crimewatch UK on BBC1 raises quite different questions but takes us closer to the conundrum about how television would like us to see itself. Quite simply this new monthly programme on BBC1 is ITV's old *Police 5* times eight: a 40-minute succession of unsolved crimes presented by Nick Ross and Sue Cook instead of Shaw Taylor. The appeal is for the viewer to "turn crime-fighter" and help the police.

As such its worthiness might seem almost impregnable. But mild doubts about the relish with which bloody detail was presented in the first edition changed to surprise when last week's edition provided a beginner's guide to beating security systems in stately homes and then disgust when it dwelt lingeringly upon its own horribly realistic yet wholly unnecessary reconstruction of the sadistic violence of the "After Time Gang." These men, it seems, terrorise customers in pubs just after closing time, but there was nothing in the dramatisation of their crime which could conceivably help to bring them to book. The use of the name "Tony" could easily have been announced without any of the horror comic content.

If the reaction is the wholly cynical one that much as we may deplore it, this violence builds ratings and therefore ultimately helps fight crime then the attitudes of the Hampstead/Cambridge axis suddenly begin to seem rather less supercilious.

With *Case On Camera* which started last week on Channel 4 there is surely no room for doubt at all. There are perfectly legitimate and even admirable ways of illustrating the workings of the British legal system on television if that really is your object: you can do a straightforward realistic drama series such as Granada's admirable *Crown Court* or you can scrupulously reconstruct genuine cases in the studio as the BBC did recently.

But if you pay would-be litigants and an aged retired judge to come into the studio and play act their case *instead* of going to court then you are exploiting the legal system for the sake of another ratings-building light entertainment series, or—Judge Alan King-Hamilton's interjections being what they are—a heavy entertainment series.

Other mass media are fortunate enough to be considered in terms of their constituent parts. It may not be entirely fair that television finds itself judged so often as a single entity, but so long as it continues in its present form with "broadcast" programmes linked inextricably one to another there will be a tendency for that to continue (though superb individual achievements such as *The Jewel In The Crown* will receive due recognition) and if even a handful of seemingly serious programmes subordinate ethics to ratings in this manner television executives must not be too surprised if their medium's image is not what they would wish.

Paris Opéra

A troubled Tannhauser

Ronald Crichton reports on a long night at the opera

The ghosts of Wagner, of the puffed-up tenor Niemann and of the culture-vulture ambassadress Pauline Metternich, stalk again. The new Paris *Tannhäuser* ran into almost as much trouble as the famously disastrous première of the revised version in 1861, when Wagner withdrew his score after three stormy performances. By the time this notice appears the new production by Istvan Szabo in settings by the abstract painter Vasarely will presumably have been seen.

Several scheduled performances were cancelled earlier owing to strikes and the withdrawal at a late stage of the conductor Dohnányi. What follows describes a dress rehearsal in front of a small audience. Since the conductor, Uwe Mund from Gelsenkirchen, was a replacement, and since the Tannhäuser was unwell and handed over after the first act to his second-cast colleague, the musical side will not be discussed in detail.

The producer's and designer's intentions however were sufficiently clear. Both Szabo the Hungarian film director (of *Mephisto* among other things) and Vasarely are new to opera. The painter's contribution is the more positive. One says "*painter*" advisedly. Vasarely has produced two striking drop curtains, one with an ovoid form against a red background for the outer acts in which Venus appears, and a geometric, op-art design for the central one. Good painters are not necessarily good stage designers, but it was a pleasure after recent years of the murky goings-on behind scrims affected by producers during overtures and interludes, to have something good to look at—the cloths were beautifully realised by the Opéra's scene-painters. Whether they threw much light on *Tannhäuser* is another matter.

The sets for the Wartburg valley and Hall of Song are formalised rectangular abstractions, hard-edged and strongly drawn, upright for the Hall, skewed for the landscapes. Colours are clear and basic—greens for spring; browns for autumn; black, grey and white for the Hall. Apart from a steep rake they are essentially ballet sets, needing costumes which will tell against them and add something both in repose and in motion, as Picasso's and Derain's costumes *did*. Judith Gombar has provided clothes half-modern, half-medieval with a suggestion of Mao tunics.

The pilgrims lope dejectedly to Rome in grey suits with battered trilby hats. When they lope back they wear more varied headgear—souvenirs, or signs of grace? Szabo has arranged the processional march rather well, but the contest of song, with the participants dressed alike, looks drearier than ever. There is some odd positioning. The shepherd boy is confined beautifully at the back while two armed attendants or guards pass back and forth across the front of the stage.

In a newspaper interview Szabo claimed to see Tannhäuser as a man refusing to live only one side of life but seeking a total existence, spiritual as well as carnal. So Szabo envisages the Venusberg as Paris today, the Wartburg as the cold future. "Paris today" is represented with reflecting screens which mirror Garnier's Second Empire gilt balconies and, faintly, the audience. The ramp pushes the ballet to the front, where efficient dancers in symphonic tights energetically perform efficient choreography by Ivan Marko, not in any way apparent to me integrated with scene or action. Venus and Tannhäuser, meanwhile, sleep head to tail on an airport-lounge sofa, their feet sticking out in opposite directions. When the dancers go off the couple look terribly alone and one sympathises with Tannhäuser's desire to return to the real world.

Uwe Mund conducted with commendable calmness and competence. Under the circumstances one could hardly expect the various kinds of excitement Tannhauser needs. Dress rehearsal or no, something must be said about the singing. Ahead of everyone else was the Elisabeth of Anna Tomowa-Sintow, smooth and long-breathed, a thought placid but as immaculate as Grümmer or even Rethberg. Eva Randova's Venus was passionately vibrant. She if anyone would have put life into Szabo's dull conception. Unfortunately none of her words could be heard. Since the Rome narration did not come until after midnight, at which point I crept hungrily away... I do not know whether Venus appears in Act 3 or is shown symbolically. But Miss Randova's despairing cries ringing over the Tannoy through the long Opéra corridors reminded me in their intensity and their backward placing of Josephine Barstow.

Klaus König, the act one Tannhäuser on this occasion clearly has a voice of substance but equally clearly was in no condition to display it favourably. Richard Cassilly, who took over from him, once again impressed with his strong and vivid projection in spite of unnerving descents into nasal and twangy tone. It was presumably the producer's idea to discharge Tannhäuser's second-act outburst in praise of venus straight into Elisabeth's face. Tannhäuser is a neurotic, an outsider if you will, but nothing in the text suggests such an unmannerly boor.

The lullabies of London

Michael Coveney puts on the Ritz —with Pizza

Piano-playing cabaret entertainers of the highest class are a rarity in London, so it is London's great good fortune to be playing host to two such animals simultaneously. Peter Greenwell, somewhat alarmingly introduced as the composer of *The Crooked Mile* and *The Mitford Girls*, is downstairs at the Pizza on the Park, Knightsbridge, for two weeks, while Steve Ross, whom I last saw on his regular patch at the Algonquin in New York, is at The Ritz until August 24.

Mr Ross has the harder task, for The Ritz Restaurant is an unforgiving, inconvenient arena for intimate revue, and the acoustical problems are no whit alleviated by the mundane doodlings of an irrelevant percussionist. But Mr Ross's engagement with his material is so strong, his keyboard technique so proficient and prodigiously inventive, that all reservations disappear — except, perhaps, in respect of his choice of material. Gershwin and Berlin are honoured, but so are Anthony Newley and Jim Croce.

You could not hope to hear a better version of "Dancing in the Dark" by Arthur Schwartz and Howard Dietz, and the Gershwin's "Fidgety Feet" is quite transformed away from the second-rate context of Chichester's production of *Oh, Kay!* Mr Ross, angular and emaciated, lives these wonderful songs as if he will die tomorrow. His voice constantly puts me in mind of Fred Astaire for its exquisite "thinness," bitterly melodic tang and sheer musicality.

Peter Greenwell is a far more robust physical proposition. Unlike Mr Ross, there is nothing quirky or especially brilliant about him, but he is exceedingly amiable company. Gershwin's "But Not For Me" is one of several torch songs he performs with more than a dash of camp (one of his own, "I'll Be Around From Now On," is a beautiful song) but the emphasis lies with Noël Coward and his own revue collaborations with Alan Melville and Peter Wildeblood. The show thus provides a valuable link service with a vanished era of British entertainment.

This era is evoked from time to time by the spirit of Radio 2

Steve Ross

light entertainment and is usually the source of more embarrassment than fun. Mr Greenwell, however, is not remotely embarrassing, even when daringly following Coward in pursuit of Uncle Harry, the travelling missionary, or calling on Mrs Wentworth Brewster in the bar of the Piccola Marina. In the latter item, incidentally, *I noted some pleasantly lewd* lyrics that were not preserved by the Master on record. And aficionados will also relish some new lyrics by Alan Jay Lerner in a song from *Gigi* ("I'm Glad I'm Not Young Anymore") which, on Monday night, Mr Lerner approved with his presence.

Mr Ross springs a pleasant surprise with Novello's "And Her Mother Came Too" and a less pleasant one with an obvious finale, "The Best of Times," from the Broadway musical *La Cage aux Folles*. There were indeed angels dining at The Ritz for "A Nightingale Sang in Berkeley Square"; I just hope Mr Ross enjoys his stay and does not forsake us for more celestial cherubim.

I have no fears for the rubicund, rolypoly Mr Greenwell: I have never been less convinced that "There Are Bad Times Just Around the Corner." I recommend the steaks at the Pizza on the Park, where the prices are reasonable, but the room is far too dark and unfortunately reminiscent, in its mirrors and black matt finish, of those ghastly song compilation shows for which, alas, Mr Greenwell has been partly responsible in the past.

Saleroom

A rediscovered bust in marble by Rodin of Manon Lescaut sold for £70,200 at Christie's yesterday. It had disappeared into a private English collection in the early years of this century, soon after it was made, and it has only recently come to light. The Fine Art Society paid £12,960 for "The kiss of Victory," a bronze group by Sir Alfred Gilbert.

At Sotheby's book auction Maggs, the London dealer, bought The Red Book of the Earls of Kildare, a collection of manuscripts about the leading Irish family of the 15th century, for £25,300, and a first, 1611, edition of the King James Authorised version of the Bible for £24,200.

Joseph, another London dealer, paid £10,450 for a letter written by Sir Francis Drake on the first day of the Armada campaign giving instructions about his estate if he should die, and £8,250 for a paper on wireless telegraphy written by Marconi in 1899.

At Phillips a painting by the Austrian orientalist Rudolf Ernst, of a sultan being served refreshment, went for £45,000 to Whitford and Hughes.

The Minister for the Arts, Lord Gowrie, has withheld for another month the export licence for the "Crucifixion," attributed to Duccio, to allow the Manchester City Art Gallery more time to raise the £1,798,800 needed to keep it in the UK.

A.T.

Othello/Coliseum

Clement Crisp

It is the directness and sincerity of the Dance Theatre of Harlem's manner that give so special and rewarding a quality to company performances. Last to company performances. On Monday Balanchine's *Serenade* was shown off with an irresistible sense of corporate involvement: it seemed, as it always should, a declaration of faith about classic dancing.

So it was when Balanchine first staged it 50 years ago as a way of making his earliest students in the New World look and feel like dancers embarked upon an academic tradition that was to be theirs by right; so it seemed again with the DTH artists as they launched into the dance, completely natural in their response to the choreography, and proudly right in their way of shsowing it off.

If anything asserts the essential identity of the Harlem troupe as a classic ensemble, it is this ability to live the Balanchine repertory on terms which are both individual and stylistically coherent. Virginia Johnson, Theara Ward, and the radiant Lorraine Graves led the cast; they and their colleagues are worthy heirs to the Balanchine/Kirstein achievement, and extend both its validity and its importance.

The programme also included Frederick Franklin's *Sylvia* pas de deux, which makes no more demands than that its interpreters bring off its technical thrills and flying catches with ease. Eddie Shellman was a stalwart partner; Judy Tyrus danced with an unforced charm, both physical and emotional, and won our hearts.

The other novelty, John Butler's *Othello*, is yet another gloss on the play, but cleanly set on the Dvorak Othello overture and relying on strongly projected emotions rather than any choreographic niceties. Donald Williams was a dominant Moor, with Virginia Johnson his Desdemona, and Sulpicio Mariano a lithe, insinuating Iago.

Their interpretations could not be faulted, and the distortion of an initial love duet into the final murder of Desdemona is well managed. There was a handkerchief, but no Emilia; an effective skeletal wire set by Tom H. John; and a blessed brevity about the whole affair.

As a matter of record, I must note that last week's programming also brought a duet, *Wingborne*, by Loyce Houlton which was also set to Dvorak—the luscious *Silent Woods*. It was danced with commendable earnestness by Yvonne Hall and Lowell Smith, who were trapped in some unspecified but emotionally drenched incident which boded no happiness for its protagonists. The entire encounter looked as if it would be better served up by skating champions than dancers.

Alastair Muir

Pas de deux: Eddie Shellman and Judy Tyrus

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 13–19

Theatre

LONDON

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plant. (930 2578).

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Serjeant Musgrave's Dance (Old Vic): Notable cast headed by Albert Finney, Eileen Atkins and Max Wall in a limited season revival of John Arden's fine play. (928 7616).

Pygmalion (Shaftesbury): Peter O'Toole is ridiculously mesmerising as Higgins in an otherwise coarse revival of this resiliently entertaining play. John Thaw is a robust Doolittle, Joyce Carey a fragile Mrs Higgins, Jack Watling a compliant Pickering, Jackie Smith-Wood an earthy but dubiously Cockney Eliza. (836 6596).

Benefactors (Vaudeville): Michael Frayn's third play in London – he also has *Noises Off* and his Anouilh translation, *Number One*, at the Queen's – is a deft, menopausal comedy about love among the architects as the bottom drops out of the high rise boom in the early 1970s. Michael Blackmore's case are Patricia Hodge, Oliver Cotton, Tim Pigott-Smith and, best of all, Brenda Blethyn. (836 9988).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rusing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Measure for Measure (Barbican): Juliet Stevenson as Isabell confirms her promise as the RSC's brightest young actress, a worthly successor to Ashcroft and Dench, in Adrian Noble's resplendent production. (628 8795).

West Side Story (Her Majesty's): Classic musical returns to its original London home with a fresh young cast of good singers and dancers. The thrills and spills of Bernstein's score and the Robbins choreography remain breathtakingly intact. (930 6606).

NEW YORK

Romeo and Juliet: Joseph Papp's Shakespeare Festival is performing in the city parks this year the Riverside Shakespeare company's version of Heartbreak in Verona. All performances free with the encouragement of bringing a blanket and picnic. (877 6810).

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the apropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organization has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, arrived on Broadway in a cast beaded by Jeremy Irons and Glenn Close, directed at a fast clip by Mike Nichols. (239 6200).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

WASHINGTON

Henry V (Folger): Philip Kerr directs the resident acting company led by Edward Gero as the charismatic Henry to the field of Agincourt, facing John Wylie as King Charles. Marjory Wright, the wife of the British Ambassador, plays Mistress Quickly. Ends July 1. (546 4000)

Jerry's Girls (Eisenhower): After so many revivals of Hello Dolly, singer Carol Channing and songwriter Jerry Herman have found a new package for this fruitful collaboration. (254 3670).

Design for Living/New York

Frank Lipsius

Written originally by Noel Coward for an American production with himself, Lynn Fontanne and Alfred Lunt, *Design for Living* might have settled more comfortably into its present revival at the Circle in the Square (Uptown), if the world had just leaked a good deal of the effervescence that Coward could still imagine in 1932 as more than a hangover from the 1920s.

A more sensible age like ours tends to emphasise the headache, not the headiness, but the talented cast—Jill Clayburgh as Gilda, Raul Julia as playwright Leo (Coward's part), and Frank Langella as painter Otto—can sparkle, as in the climax of Act Two when Gilda walks out on both men with brazen whimsy.

George C. Scott, who starred himself in last year's revival of *Present Laughter*, picked a solid cast with matinee idol good looks and some glib nonchalance, but they do not always project the glint of daredevil irresponsibility that Coward wrote into the parts, especially for Leo. When Woody Allen 50 years later stared back at his audience and insulted them in *Stardust Memories*, populists were outraged. Coward could carry it off. He even rounds on the Press in a scene excised from this production when, Leo curtly dismisses the journalist who comes to interview him (though the equally insulting reviews mocking the critics are read to good effect).

Gilda abandons Leo when he is more taken with the critics' notices than her parody of what could be said of Coward: "Three scenes are first-rate, especially the last act. The beginning of the second act drags a bit, and most of the first act's too facile—you know what I mean—he flips along with easy swift dialogue but doesn't go deep enough." Jill Clayburgh is intelligent and attractive, but not witty, an essential trait to propel the insults into orbit.

Ann Roth's costumes capture the Coward style with the originator's disdain of subtlety, especially when Leo and Otto enter in the third act like refugees from a Fred Astaire movie. Dressing gowns abound, nearly one per scene, but Miss Clayburgh's lovely figure is not always clothed to advantage. As usual, the scenic designer in this arena stage has most to do in making up the floor, which Thomas Lynch amply does in capturing the lower half of elegant 1930s flats in Paris, London and New York.

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Britain and Nigeria

THERE HAS been an ominous feeling of inevitability about the deterioration in Anglo-Nigerian relations, ever since the affair of the abortive abduction of Alhaji Umaru Dikko first broke. Indeed, it possibly goes back even further to the New Year's Eve military coup which overthrew ex-President Shehu Shagari.

Both side have lost out from the latest bout of diplomatic blood-letting, culminating in the expulsion of two diplomats on each side and the recall, probably for good, of their respective high commissioners.

Britain has made a stand on the question of respect for the Vienna Convention, but has been forced to accept a tit-for-tat retaliation to every diplomatic gestiure it has made. Nigeria may have saved face in demanding the removal of an identical number of British diplomats, but ends up tainted by the suspicion of involvement in an unsavoury kidnapping, in spite of its denials.

Close allies

Britain is now the object of much vilification and abuse in Lagos, and Nigeria of both hostility and ridicule in London. Experienced diplomats who might have helped defuse the tension, and helped in the vital process of mutual understanding, so obviously lacking, have been withdrawn.

Indeed; the first lesson from the affair is the huge gap it reveals in perceptions between two close and traditional allies. Nigeria, for its part, has completely failed to appreciate the strength of British feelings about diplomatic abuses in the wake of the Libyan embassy shooting. Nor does there appear to be much understanding of Britain's concern for human rights and the due process of law. No-one in Lagos has actually condemned the kidnapping attempt in public.

As for Britain, the government has consistently underestimated Nigerian sensitivities on a range of issues. Most important has been the presence in London of a number of political fugitives, like Mr Dikko, preaching violent overthrow of the new regime.

In contrast, Zimbabwe's Joshua Nkomo was only allowed to stay on the understanding that he kept quiet. But relations have also been soured by what is perceived as Britain's aggressive North Sea oil production and marketing strategy, directly undermining Nigerian production, and by what is seen in Lagos as a lack of sympathy for the country's resulting economic plight. Inviting South Africa's Prime Minister to London only the day after Sir Geoffrey Howe called off a visit to Lagos was almost the final straw.

Long-term view

In recalling the British High Commissioner from Lagos, Sir Geoffrey has acted against his own inclination, in order to prevent a further deterioration in relations. He will probably be criticised for excessive appeasement, but it is indeed difficult to see how a continuing hard line would help the situation. The important thing now is that, in Britain, the law will and must take its course in bringing the kidnappers to justice.

As regards Nigeria, the urgent need for both sides is to repair the damage already done. It hardly needs repeating that Nigeria is a vital trading partner for Britain, even when its imports have been drastically reduced because of the oil glut.

Nigeria has also learned some of the lessons of excessive economic nationalism during the past two decades, and is actively looking for foreign investment. That would be of mutual benefit. And it is Britain's most powerful and important political ally in Africa, its instincts solidly on the side of peacemaking and moderation, under the present regime as under the former.

Equally, Britain remains very important to Nigeria. British investors and trading companies have remained overwhelmingly loyal to the country, in spite of the accumulation of millions of pounds in unpaid bills. Unlike others with less experience of the market, who hope to make a quick profit and leave, British companies have traditionally taken a long-term view, and are prepared to ride out hard times. Too frequently, Nigeria has taken such loyalty for granted.

The correct course of action now is for Nigeria to apply for the extradition of Mr Dikko and any others it may wish to charge. Then the issue can be properly decided in the courts, as it should have been in the first place.

Buses running out of control

WITH ITS enthusiasm for market forces toned down a trifle, the White Paper, produced by Mr Nicholas Ridley, Transport Secretary, on bus deregulation would make an excellent paper for the Institute of Economic Affairs. As an official agenda for action it leaves a good deal to be desired.

The White Paper overstates its case for the complete deregulation of local bus services (quaintly termed "stage carriage" routes) outside London. Readers are given categorical assurances that an abrupt free for all will bring this or that benefit.

No such certainty is possible and it sits oddly in a White Paper. The fact is no big industrial country has ever opted for dergulation of local bus services on the scale proposed by Mr Ridley. A free for all might create the nirvana the White Paper so confidently predicts —fleets of cheap and effecient minibuses may carry happy communters to work and villagers may dispense with the local bus in favour of shared taxis — but the result may just as easily be a return to the chaos of the 1920s.

Lower costs

The Government claims that more competition, the break up and privatisation of the National Bus Company (NBC) and the restructuring of municipal and public transport executives will make possible huge cost savings—of the order of 30 per cent.

While there is certainly scope for some efficiency gains, this estimate looks on the high side. The Government has not compared like with like for the simple reason that the present segmentation of the British bus industry makes it impossible. Private operators do have lower costs but then they provide only 3 per cent of stage carriage services, concentrating instead on express services, tours and excursions and private hire, in which they have a 77 per cent market share.

It is open to debate whether private operators could provide daily stage carriage services in congested cities and deserted vilages much more efficiently than the public sector. The experience in three small trial *areas where bus route licensing* was suspended in 1981 is not *particularly encouraging. In* two of them — Norfolk and Devon—private operators seem leery of the losses of local NBC subsidiaries and appear content to concentrate on their traditional, more lucrative contract business.

The third area—Hereford—is in some ways more alarming. Private operators have neglected safety regulations. Hereford town centre is crawling with the buses of Midland Red, the NBC subsidiary, and its three independent rivals. "Bunching" is occuring as each service tries to grab the passengers of its rivals—Midland Red has timed buses to arrive fractionally ahead of the competition. The level of fares is low buna unstable since it is currently insufficient to cover costs.

Hidden tax

Nobody has ever doubted that private operators could provide a service of sorts on the dense profitable routes. The real question is what will happen to the 20 per cent of unprofitable rural bus mileage in Britain. In the past it has been financed mainly by cross subsidisation from the profitable urban routes.

This is not a perfect system —it entails slightly higher fares on the 80 per cent of urban routes which may disgruntle a few passengers — but it has an overwhelming political advantage: the rural services are paid for by a hidden tax. In today's straitened circumstances, how many local authorities are going to vote for an adequate explicit subsidy to finance rural services if cross subsidisation is ruled out?

The danger is that in his rush towards unfettered competition Mr Ridley may have overlooked some more attractive half-way houses that would constitute a better interim solution. One is the franchising by local authorities of extensive route networks covering profitable urban and unprofitable rural routes. This would avoid the waste of having severela competitors on the same length of road; make possible the exploitation of economies of scale (underplayed in the White Paper); allow authorities to maintain Sunday and late night services, and still foster increased efficiency since *franchises would be perpetual* fear of losing their routes.

I T IS unusual for the General Electric Company to be manoeuvred into a corner by a corporate quarry.

But it has been placed firmly on the spot by the demand from British Aerospace, after six weeks of bid talks, that it either move in swiftly for the kill or remove its attentions to another part of the forest.

Lord Weinstock, GEC's managing director, and his colleagues are genuinely interested in BAe. But their next move may hinge on the attitude of the Government, which still seems to be weighing the advantages of a merger which could create a world-class defence contractor against the impact on competition in UK defence procurement.

A bid for BAe, if successful, could reassure those doubters in the City who have recently questioned how sure GEC is about its own future direction. As well as quelling speculation about the fate of its £1.5bn cash mountain, a BAe takeover would provide GEC with a major new opportunity to prove that its judgment and management talent are as acute as ever.

In the year to March, GEC reported virtually flat pre-tax profits of £671m. The standstill reflected a sharp drop in the interest and investment income which has contributed an increasing share of its profits since the late 1970s. Group trading profits from industrial activities were up about 10 per cent to £511m, thanks largely to the strong performance of the defence business.

The company continues to spend heavily on research and development and capital investment, to the tune of more than £700m last year. But it has still generated for several years more cash than it has been able to invest in its mainstream businesses. Critics, including some in Government, have seen this as a symptom of excessive caution and indecisiveness.

Lord Weinstock is unperturbed by such sniping. "It seems to me that in the administration of the affairs of large companies, caution is necessary," he says. "When it has been right, we have taken the initiative and the risk. But we like to calculate what it is. We have to know what we are doing. We like looking at the market before we plunge in."

Nonetheless, the company has sometimes seemed curiously torn about its future direction, and in particular, whether to expand its operations — or to shrink them. Talks about acquisitions, which have focused on about a dozen possible bid targets in the past two years, have alternated with a sporadic and still unresolved debate about a range of options for demerger.

"It just doesn't seem intelligent to say that something has to get indefinitely bigger and bigger," says Lord Weinstock. "It may not necessarily be the best thing. It may be that if we separate the parts of GEC they can each grow as big as they can on their own. But they will not be giants, in the sense that the whole lot together will be."

The rationale behind the de-merger option has been based partly on concern that GEC, because of its size, could face political obstacles to further acquisitions in the UK. But it also involves longer-term considerations about management succession.

Lord Weinstock, who turns 60 later this month, will not reach GEC's mandatory retirement age for another decade. But several of his closest and most influential board colleagues, including deputy managing director Sir Kenneth Bond, are well into their sixties and one of them, Sir Robert Telford, turns 70 next year.

More immediately, GEC has still to name a chairman to succeed Lord Carrington, who left to become Nato secretary general last month. Though he had no formal executive role, Lord Carrington brought a breadth of experience and personal authority to the job, which will be missed.

GEC's structure and operating methods, however, bear as strongly as ever Lord Weinstock's personal stamp. Formed out of a series of bold mergers in the late 1960s, it was briskly reshaped under his direction into a financially strong and highly efficient industrial machine.

It has, over the past 15 years, set many of the yardsticks of management excellence by which other British industrial companies are judged. In the 1970s, while electronics and electrical engineering manufacturers such as ICL, Ferranti and Plessey stumbled or lost their way, GEC forged purposefully ahead, generating an unbroken stream of profit increases.

Yet, for all GEC's size and complexity, it is run on lines which often seem reminiscent of a small family business. Indeed, Lord Weinstock's individualistic management style owes much to his period back in the 1960s running consumer electricals company Radio and Allied, which became part of the GEC group.

He continues to pay as much attention as he did then to ratios such as stock turnover and return on sales. Though he rarely visits GEC's factories, its strict budgeting and financial controls are designed to keep a steady stream of information flowing into its London headquarters in Stanhope Gate. Failure by any part of the group to perform to expectations—or to keep ahead of its main competitors — triggers alarm bells and a demand for prompt explanations.

The group is also structured more like a collection of medium-sized busineses than a highly-integrated industrial monolith. It consists of more than 100 different companies, whose managers are encouraged to operate separately and within clearly-defined boundaries.

GEC has no elaborate mechanisms for formulating overall strategy. Its Stanhope Gate offices are leanly staffed, and central management style leans strongly towards pragmatism, responding to opportunities—often proposed from within the group—rather than spending long hours drawing up detailed blueprints for future development.

In the past five years, GEC has acted on three opportunities for sizable acquisitions and a string of smaller ones. In 1979, it purchased A. B. Dick, a long-established U.S. reprographics maker, for $100m, and weighing machine manufacturer W and T Avery for £83m. The following year it acquired U.S. medical electronics manufacturer Picker International for $116m.

Two of these have been undoubted successes, though for different reasons. Avery, which was in considerable difficulty before it was taken over, has responded to the classic GEC blend of reorganisation and firm management controls. It is now earning a healthy profit on the strength of a rejuvenated product line.

Picker, which was merged with GEC's existing medical business, has also done well. Much of the credit for its performance is due to a group of U.S. managers under the supervision of British-born entrepreneur Dr Terry Gooding. In an arrangement unusual for GEC, they own part of Picker and thus have a big personal stake in its success.

But Dick has been a severe disappointment. Its efforts to enter the market for electronic systems such as word processors were misjudged, and its performance damaged by the impact *of the last recession on its* reprographics business. It is now back in the black, but at the cost of deep surgery which has decimated its new product development programme.

Dick was GEC's most ambitious attempt to carve out a sizable share of the intensely competitive mass-market for sophisticated electronic information processing equipment. Perhaps because of the experience, GEC's attitude to this sector has been somewhat cautious in the past few years, in spite of strong suggestions from government that it should make a more wholehearted commitment to emerging information technology markets.

It has shied away from any serious involvement in business personal computers, regarded by many in the industry as one of the basic building blocks of office automation. Its long-established minicomputer operation has made little impact so far on the mass market, either. Many of its machines are sold to other parts of GEC for use in bigger systems, and sales have languished around the £30m mark for several years.

In electronic components, which produced sales of about £40m last year, GEC has deliberately chosen to eschew high-volume markets. Dataquest, the U.S. market research firm, listed it 22nd among all suppliers operating in Europe last year and ninth among European-owned suppliers.

GEC, like much of the rest of the UK industry, has been stepping up investment on capacity recently. But integrated circuits, the fastest-growing type of component, account for only about one-third of its output. It sells mostly to itself, unlike Ferranti, which has been highly successful on the world market for semi-custom chips, and STC, which is fast expanding open market sales of standard integrated circuits.

Even in telecommunications, its second biggest business, GEC plays a sub-contractor role to Plessey in the development programme for System X, Britain's digital public exchange. "They have lost their design leadership and do not seem eager to regain it," according to Mr Graham Meek, electronics industry analyst with stockbrokers Wood Mackenzie.

Does GEC's somewhat low-key approach in these fields reflect a lack of entrepreneurial verve—or simply a prudent concern for the bottom line? Lord Weinstock expects to be judged primarily by his success in increasing earnings per share, and his strong instinctive preference is to stick to those kinds of businesses where GEC has a proven track record.

That inevitably raises the question of the growth prospects which those businesses offer. An important part of GEC's operations, notably in defence, power engineering and public telecommunication, depends on sizeable orders from government and public sector customers.

A takeover of BAe, whose military operations are largely complementary to GEC's own, would shift the balance further in that direction and increase the profit contribution of *defence,* which already accounted for almost 40 per cent of GEC's group trading results last year.

At the same time, GEC has steadily retreated from many consumer electronics markets in the face of fierce Japanese competition.

Competition for government and public sector orders can also be exceedingly tough. But the pattern of demand which is often tied closely to replacement cycles, is easier to forecast than in volatile consumer markets and the potential down-side risks can be calculated with greater accuracy.

GEC's preference for the predictable is, however, being tested by upheavals in telecommunications, its second most profitable business, where it faces numerous uncertainties. Liberalisation of the UK market has undermined British Telecom's once cosy relationships with its traditional suppliers and is exposing them to much keener competition in almost all their product lines.

Like other UK manufacturers, GEC will increasingly have to seek broader international markets to achieve economies of scale. It will have to confront competitors which include not only established telecommunications equipment suppliers but also computing giants such as IBM and a host of newer entrepreneurial companies.

GEC has recently shaken up the management of its telecommunications division. But the strategy of the new team is still not clear, and in the view of some industry experts, they have a good deal of catching up to do.

According to Mr James Carreker, head of Dataquest's telecommunications service, GEC is "a league behind" several other European companies, including Plessey, West Germany's Siemens and Sweden's L. M. Ericsson in positioning itself on the important U.S. market.

In terms of size, technical resources and financial strength, however, GEC looks up to the challenge. How it chooses to deploy them may turn out to be as important in its own way as whether it chooses to pursue BAe, or any of the other acquisition prospects which regularly pass across Lord Weinstock's desk.

The future of GEC

The test that faces Lord Weinstock

By Guy de Jonquieres

GROUP TRADING PROFITS

(excludes associated companies)

	Profit before tax 1984 £m	Profit before tax 1983 £m	Turnover 1984 £m	Turnover 1983 £m
Electronic systems and Components	200	158	1,578	1,409
Telecommunications and Business Systems	94	87	735	735
Automation and Control	53	48	448	425
Medical Equipment	24	16	435	412
Power Generation	52	70	623	680
Electrical Equipment	50	52	754	653
Consumer Products	24	20	279	264
Distribution and Trading	14	13	197	214
	511	464	5,049	4,792

GEC: SOURCE AND USE OF FUNDS

SOURCE	Year to March 1983 £m	1982 £m	1981 £m	1980 £m
Funds generated from operations	846.9	744.9	555.8	482.1
Funds from other sources	212.3	198.3	87.1	124.6
Total	1,059.2	943.2	642.9	606.7
APPLICATION				
Purchase of fixed assets	208.2	173.1	160.5	168.3
Increase in stocks and Debtors	177.1	150.0	107.3	199.9
Others. Dividends, acquisitions (tax, etc.)	395.3	245.1	313.5	369.2
Total	780.6	568.2	581.3	737.4
Increase in bank depoits and other liquid assets	278.6	375.0	61.6	(130.7)*

* Decrease.

Men and Matters

Growling over Jaguar . . .

While many would-be investors are licking their lips oer the prospect of Jaguar coming to market at the end of this month, only snarls can be heard from the direction of Noel Falconer and BLISS, his BL Individual Shareholders Association.

Falconer, *sotto voce* scourge of more BL annual meetings than Sir Austin Bide, Sir Michael Edwardes and several predecessors care to recall, rejected the opinions of issues brokers such as James Capel that the going rate for Jaguar will be £300m-plus, and that it is, for all concerned, A Good Thing.

He suggests that at best it will m— £200m in today's muffled market—and the timing is awful. UK interest rates may have been jacked up mightily to correct Chancellor Lawson's "absurdly over-valued dollar." But Falconer says it is precisely the strong dollar that has made Jaguar profitable.

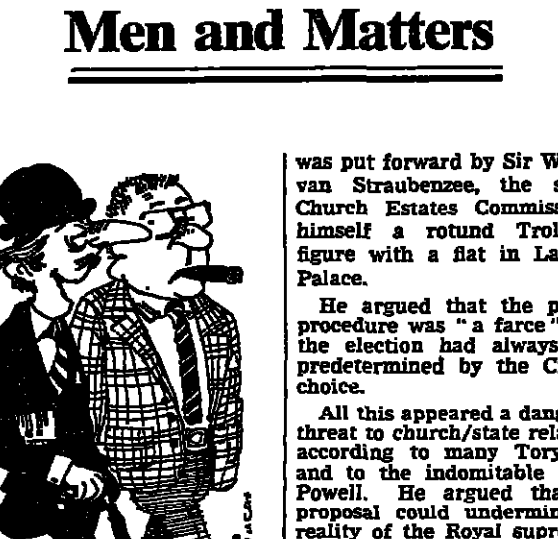
The Government's "golden share" to protect against takeover until 1990? "A hostage to fortune . . . fine while Maggie's in power, but Governments can fall."

And the 15 per cent limitation on other holdings? "That makes the board's life too easy altogether—it must be exposed to takeover if it is not well run independently."

The answer, Falconer says, is not to privatise, but to promote a profitable partnership with BL. For example, he points out, Jaguar suffers substantial financial penalties in the U.S. for selling only large cars with a fuel consumption in excess of legislative standards, while the GMs and Fords can average economy out between their "gas guzzlers" and their small cars.

The obvious way to avoid this, he suggests, is for Jaguar to get together with a company that sells small cars—someone like Austin Rover.

Somehow there's a familiar ring about it all—and even Falconer admits that Jaguar has not exactly benefited from being a part of BL in the past.



"I see that Geraldine Ferraro has a law degree—her father didn't keep a grocers shop as well, did he?"

Trollope lives . . .

Anthony Trollope's world of church and politics returned to Westminster yesterday. The Commons spent 90 minutes debating whether to abolish the present procedure for the election of bishops by the Dean and Chapter of cathedrals on the nomination of an archbishop.

The proposal has been put forward by the Church of England's General Synod, a fact in itself enough to arouse the suspicion of many Tory MPs wary of Anglican trendiness after the recent row about the new Bishop of Durham.

The measure, which is in*tended to amend* the Appointments of Bishops Act of 1533, was put forward by Sir William van Straubenzee, the second Church Estates Commissioner, himself a rotund Trollopian figure with a flat in Lambeth Palace.

He argued that the present procedure was "a farce" since the election had always been predetermined by the Crown's choice.

All this appeared a dangerous threat to church/state relations, according to many Tory MPs and to the indomitable Enoch Powell. He argued that the proposal could undermine the reality of the Royal supremacy and threaten our national church.

In a bizarre reference to the the York Minster fire he noted "that for 450 years no transept has been struck by lightning in the course of a procedure whereby the Holy Spirit was invoked in the deliberations of the Dean and Chapter."

The result was a defeat for the measure by 32 votes to 17, hardly a serious breach in church-state relations, but a rap on the knckles for the Anglican establishment. The measure will now be quietly dropped.

Sir William took it in his stride, regretting the rebuff to the Church of England leadership after all its careful work, but pointing out that the change would have made no difference in practice to the appointment of Professor Jenkins as Bishop of Durham.

Legal angels

It has often been said that there is a certain affinity betwen the law and the theatre. The dama is there in a trial and many real-life barristers perform like actors manques (it *must be something to do with* being able to dress up in period costume and hold forth to a captive audience.

So it is fitting that among the backers of the Royal Court Theatre's current production in London are a number of barristers.

Most of these legal angels are in chambers at 22, Old Square in Lincoln's Inn, where they specialise in litigation in the construction industry—an area of law not noted for high drama or a lot of laughs.

They play they are supporting is *The Lucky Chance,* a Restoration comedy by Aphra Behn, said to have been Britain's first woman professional writer.

The play has a passing reference to Lincoln's Inn Fields and Behn, according to the programme, "had an unfortunate long-term relationship with a lawyer . . . known to be an atheist . . . a corrupter of youth and blasphemer cf Christ."

It is to be hoped that Aphra's latest relationship with lawyers will be more fortunate. At the very least it could be said to refute the charge made bv John Donne, himself a member of Loncoln's Inn: "Men who chuse law, practise for mere gaine, bold soule, repute worse than embrothelled strumpet prostitute."

Don't call us

It must have caused distress among members of the Garrick Club to see that all those homosexual, disloyal schoolboys in the film, Another Country, are wearing Garrick ties. Of course no one could imagine they were actually masquerading as members, but now that the production is finished, what has become of the ties?

Have they all been collected and destroyed, or have they been distributed among the company? If they have, it is only fair to say that there isn't an earthly chance of their being elected for at least 10 years.

Observer

BRITAIN'S METALS INDUSTRY

The remarkable boom in scrap

By Peter Bruce

THE TELEPHONES in the offices of Britain's leading scrap merchants were ringing almost constantly. Steel scrap prices were slipping, and the calls were coming from Spain.

For weeks, merchants had been expecting the British Steel Corporation, the biggest UK consumer, to lower its monthly offer. Suddenly, one leading merchant upset the market by offering a cargo of scrap to a Spanish steelworks for about £58 a tonne, some £3 or £4 off the previous day's low. The message spread quickly among the Spanish and bounced back to London.

"They have smelled blood," muttered one UK merchant.

In the event, prices held up remarkably well on that particular June day, partly because of the rising dollar. Also, the big West German steelworks were becoming major buyers because their normal local supplies had been cut off by the engineering strike in that country.

Seven years ago, a strike in West Germany would not have mattered much to the UK scrap merchants. Neither would the U.S. dollar rate. Calls from buyers in Spain, Japan, South Korea, Italy, Sweden, Turkey or India were scarce.

"They didn't even know our phone numbers then," says one merchant.

Today, iron and steel scrap is one of the most valuable bulk cargoes being exported from Britain. In the late 1970s more than 90 per cent of scrap handled by British merchants was sold inside the country. Last year, for the first time, the merchants exported more than they sold at home—some 3.8m tonnes, worth £183m, compared with 2.9m tonnes, worth £133m, in 1982.

The rise of the scrap merchant as exporter (since 1980, two companies have won Queen's Awards for export), almost exactly follows the decline of the UK steel and foundry industries and the emergence of steelmakers in Spain and the Third World.

The 600 Group, one of Britain's big four merchants, closed its Morriston scrap depot when the nearby Duport steelworks shut. The Kettering depot closed with the demise of integrated steelmaking at nearby Corby.

However, other forces were at work. Between 1979 and 1982, for instance, the amount of Spanish steel produced in electric arc furnaces, where scrap is the major feedstock, rose by 20 per cent, to some 6.7m tonnes, more than half of total production. The Spaniards needed scrap, but the two traditional scrap exporters, West Germany and France, were long-time suppliers to the Italian private sector plants in Brescia and the distances to northern Spain made for prohibitive prices. By contrast, ports in south-east England and in Wales were relatively close.

Britain's lone specialist scrap exporter, Mayer Newman, was then joined by the 600 Group and the two other big merchants, the Bird Group and Coopers (Metals), in a rapid search for deep-water docking facilities to handle the large tonnages the Spanish and other export customers needed.

The four leading merchants have embarked on an impressive investment programme (for the scrap industry at least) of around £10m in the past three years, equipping deep-water berths at, among others, Tilbury on the Thames, Cardiff and Liverpool, with scrap-handling equipment.

Industrial recession in Britain has wrought fundamental changes in the scrap business. The main public companies involved in the business have withdrawn, battered by wild price fluctuations, in favour of closely held private groups run by entrepreneurs, most of whom are old hands at the scrap game. Mr Robert Cooper bought Coopers, an old family business, back from London & Northern at the end of 1982. Birds bought Thomas Ward's scrap business. The 600 Group is the only remaining publicly owned scrap operation remaining, and it is understood to have contemplated withdrawing at least once during the recession.

For now, any such thoughts, if they ever existed, will have been well and truly abandoned. Scrap sales were largely responsible for lifting the entire group into trading profits in the last half of 1983-84. George Cohen, another leading company, recorded profits of £1m, up from a £450,000 loss the year before, and that without much rationalisation.

The reason is that the price of bulk steel scrap by the end of 1983 had risen to £50 a tonne, from £20 a tonne in January 1983. By last month it had risen to around £65 a tonne, but the dockers' strike has since had a sharply depressing effect.

Today the merchants are doing well. Most avoid discussing the effect of price rises on their margins, but maintain that the increases have to be filtered through to medium-sized, small, and itinerant (mainly gypsy) collectors. Nevertheless, Mr Brian Roberts, chairman of Mayer, Newman, says that although the industry works on "hopelessly" small margins, "obviously when prices go up, the processors will be making more money." Mayer Newman is expecting turnover to increase 40 per cent in 1984 to £70m, on a volume increase of only 20 per cent.

The discipline imposed on scrap merchants by the steel industry is strict.

"In the old days the steelmakers didn't know what they were getting," says Mr Tony Bird, deputy chairman of the Bird Group. Today they probably do. Birds, for instance, has spent nearly £1m developing a technique for detecting and removing non-ferrous metals in steel scrap.

The demands for a more sophisticated product having opened the gap between merchants who can supply it and those who cannot, the main processors and exporters have now begun to press for industry-wide rationalisation.

"There are too many people in the industry," says Mr Bird, "and the competition is stupid." The recession has already thinned out the merchants by more than 200 but there are still enough established merchants about—at least 400 in the UK—to make buying and pricing difficult for the big processors.

Mr Cooper, who is also president of the British Scrap Federation, believes there is scope at least for trying to hammer out an agreement with BSC and independent UK steelmakers to avoid "unnecessary" technical price fluctuations.

However, the immediate pricing problems in the home market pale next to the threat from a Community-wide lobby which has been pressing the European Commission to curb the amount of scrap leaving the EEC. The Italian steelmakers lead this argument, mainly because Italy has the biggest net scrap deficit in the EEC, but they have been joined by British and Belgian steel industries.

A meeting chaired by the Commission in Brussels on June 8 ended with the scrap merchants again winning the argument—that there is no scrap shortage in the EEC—but only after they had agreed to meet steelmakers regularly to reassure them about supply.

Winning in Brussels was important to the UK industry because it was only in late 1979 that the new Tory Government lifted (but did not abolish) the export quota and licensing system that had governed exports for nearly 20 years. The merchants know only too well that the mechanisms to control exports are still intact.

Given the British success in export markets, it would now be difficult, politically, to reimpose the controls. Had they been in force, it is highly unlikely that Cohens would have had a ship at Tilbury late last month loading 20,000 tonnes of scrap for Britain's newest customer—the Japanese steel industry.

Bob Hutchison

COLLECTORS RETURN TO THE STREETS

TWO YEARS ago, says a long-time resident of Greenwich, in south-east London, it was almost impossible to get rid of the bits of old iron and steel around the house—beds, cookers, pots and pans. Today the streets are alive again with cries of "Any old iron" as dozens of scrap collectors, pushing prams, riding horse-drawn carts and driving old trucks rush to take advantage of the best scrap prices since 1974.

Mr Tony Bird, deputy chairman of the Bird Group, one of Britain's biggest scrap dealing and processing businesses, estimates that with the high prices now being paid, up to 100,000 people are engaged in the chain of scrap collection, processing, and delivery.

The scrap is passed along the chain from itinerant collectors to bigger and bigger collection points until it reaches the processing yards where it is stripped of impurities and either hammered into a mountain of fragments, baled, or simply cut up (as cars are).

The scrap is sold in grades, chiefly no 1 and no 2, the "bulk" scrap which has been cut up, and which form the biggest export tonnages. No 4 is generally new steel cuttings prized for their quality (and generally bought directly by merchants as offcuts from the motor industry and other manufacturers), and no 3 is the fragmentised thin sheets or fabricated sheets.

Job patterns

Why working mothers make good managers

By Eleanor Wallis

WORKING *mothers show* poor judgment and are therefore unsuitable executive material. Their lack of judgment is shown by the way they break the "natural law" that every mother should stay at home until her child is 5-7 years old.

These two arguments have surfaced again in the FT in recent weeks. They deserve further examination.

To take the executive point first:

One advantage the executive or professional working mother has over those in less well-paid jobs is that she can afford professional care for her children, and can employ someone to clean her house. Her husband, *if she has one, is likely to be* more closely involved in their children's upbringing and in the management of their home. In addition, she will try to develop a network of mutual support with other families in the area. So, the skills she needs include the management of staff, usually with different backgrounds, interests and career needs. She has to select them carefully, delegate to them, and base decisions on their reports. She must also be able to work co-operatively with her peers.

However well she succeeds at this, a working mother always lacks time. Energy and determination are vital, as are good organisation and a ruthless sense of priorities. The superwoman, giving effortless dinner parties in an immaculate house after long hours in the office, is a mythical figure. Only by knowing her own strengths and weaknesses, accepting that, since she cannot do everything, she must concentrate on the aspects of her life which are most important, can the working mother strike a balance between achievement and exhaustion. Nowadays she is *helped by technology—freezers,* dishwashers and food processors —to minimise the chores and give her more time for her family and outside interests.

So, to run a house and main*tain a career, a working mother* must be a good manager with skills in selecting and managing staff and working with her peers. She needs to be well organised, able to use new technology, to take decisions and have a sense of priorities. Is this not the blueprint of a top executive? How can it be suggested that, by definition, all working mothers with young children make unsuitable executives when only by using the skills required of an executive can she manage her own time and resources to allow her to work at all?

This brings us to the second proposition — that a working woman with young children offends "natural law." It is not clear what is meant by "natural law;" presumably other such laws might be encapsulated by the phrases "nature red in tooth and claw" and "the survival of the fittest." Society, however, now takes for granted that a human life, which would be lost if left to nature, should be saved by "unnatural" medical intervention, and has evolved a system of justice

> She will try to develop a network of mutual support with other families

which protects the weak from exploitation by the strong. One is *left with a suspicion that the* use of the expression "natural law" is an attempt to pre-empt the logical analysis of a dubious proposition.

However, the proposition that a young child needs its mother constantly with it requires examination. The evidence put forward is that this is what the child would say if asked—in other words the child knows best. One way *to test this* would be to ask children if they want to clean their teeth morning and evening. It is improbable that there would be a unanimous response that would accord with the views of the dental profession—or with those of the children themselves when they are grown-ups. Can one seriously accept as evidence the judgment of a child aged 5-7?

Few, if any, working mothers would suggest that the care of a nanny, however devoted, is a substitute for parental love and affection. Interestingly, every nanny I have spoken to —admittedly not more than half a dozen—has said she prefers to work for families where the mother works, because of the greater parental interest and love than in those families where a nanny is employed and the mother does not work. One cannot generalise from such a small sample, but equally there is no evidence to support the view that a young child needs its mother exclusively. What is much more important is that *the child feels that both* its parents love and want it and spend time with it. Young children are often more *neglected by commuting executive fathers* who leave home before their children get up and return after they are in bed than by working mothers. In contrast, parents who both work tend to go to considerable trouble to ensure the high quality of the time spent with their children.

Is it the suspicion that they are neglecting their own children that makes some men react so strongly to working mothers? Is it a more reasonable, but still unjustifiable, fear that a working mother has divided loyalties and might not always pull her weight at work? With the new divorce legislation explicitly indicating that a divorced woman, even with children, has no longer the right to be kept for life by her ex-husband it is essential that *women can earn their own* living.

Furthermore, this country cannot afford to waste women's undoubted ability. The reasons for this distrust of working mothers need investigation so that everyone's energy is spent on productive work rather than on debates such as this.

The author is a senior consultant with Logica, the British software company. She has a child aged three and is expecting another in September. She is a member of the City Women's Network.

Letters to the Editor

Industrial incentives

From the Director-General, Association of British Chambers of Commerce

Sir,—Michael Prowse's contribution in the Lombard column, July 12 ("Don't write off the regions") is very much to be welcomed. Like him this association regarded the White Paper on regional industrial incentives as unnecessarily limited in scope. We support the movement from automatic regional development grants to more selective assistance and the need to revise the criteria for defining assisted areas but we also recognise that financial incentives for only one element in stimulating growth in the regions. Like Mr Prowse, therefor, we are concerned that the Government's first priority seems to be to cut regional spending, and we vigorously argue the case for more investment in the regional infrastructure.

The association therefore advocates the electrification of the eastern line of British Rail, now under active consideration by the Secretary of State for Transport; we have been pressing for an increased budget for derelict land grants; we believe that the A1 is reaching saturation point in Yorkshire and should be upgraded; we objected to the Stansted Airport proposals in the belief that they would hold back the development of regional airports; we advocate the expansion of that part of the urban aid programme which funds infrastructure improvement and we support urban development grants as an imaginative way of redeveloping obsolescent property in the major cities.

Such an investment programme, of which these are but a few examples, would help to reduce regional disparities and at the same time would provide a gentle and non-inflationary stimulus to the economic recovery which may be in danger of flagging outside the south-east.

R. G. Taylor.
212a, Shaftesbury Avenue, WC2.

Caring for the counties

From the Leader, Greater Manchester County Council

Sir,—Thank you Michael Prowse (Lombard, July 12) for chastising the Government for not making even a passing effort at tackling the county's regional economic problems. The Government, however, is more than defeatist about what it can do —*it is actively campaigning to* increase the problem.

To succeed in economic regeneration one needs an effective organisation to deliver aid to those areas which have been *hardest hit by economic decline.*

Many of these areas are in the industrial conurbations of Britain — greater Manchester, Merseyside, Tyneside, west Midlands and Yorkshire—the very areas which are soon to be stripped of their metropolitan-wide government to fulfil an ill-advised, widely condemned political commitment.

The metropolitan county councils are very active and successful in the economic arena, and if it were not for the suspicion that the Government is acting out of malice against the district counties, one might be tempted to believe that their abolition proposals are forged from a dislike of the regions doing something for themselves in an area where the Government has so singularly failed to act.

(Councillor) Bernard Clarke.
County Hall,
Piccadilly Gardens,
Manchester.

Holding the money

From Mr N. Ross

Sir,—Mr T. H. M. Oppé, the Secretary-General of the Life Offices' Association (July 13), has commented regarding insurance companies paying (or not paying) interest in respect of monies due under life policies to cover the period from date of death to date of payment.

He states that policy monies are not due until the death of the life assured has been proved and the entitlement of the claimant established. All insurance companies have their own policy wording but an examination of a number of policy forms has revealed what appears to be contradicting statements. The schedule will contain wording along the lines—"When the sum assured is payable"—"On the death of the life assured." The conditions, however, will state that the office will pay the claim on receipt of the proofs mentioned by Mr Oppé.

I suggest that what this apparent contradiction really means is that while the money cannot be physically paid across until the various documents have been produced, it is due, nevertheless, on the date of death. The payment of interest, particularly voluntarily, by a number of Mr Oppé's members seems to indicate that they agree with this interpretation as it appears highly unlikely that they will allow interest in respect of a period of time falling before payment of the policy monies is actually due.

While accepting that there is no contractual obligation on life offices to pay interest (perhaps there should be) there is, surely, a strong moral obligation on them to pay in respect of the period during which they hold the policy monies after the date of death—an obligation accepted by some but, *unhappily, not by* all.

N. Ross,
John Reynolds & Co
(Life and Pensions).
21 Quay Street, Manchester.

Supporting the miners

From Professor D. Myddelton

Sir,—Mr Scargill and the National Union of Mine Workers argue that mines should be closed only on grounds of exhaustion of coal or of insuperable geological problems. As long as any coal is left, the NUM seems to think that taxpayers should be prepared to bear unlimited losses in order to keep the miners employed and to preserve mining communities. Cost, to taxpayers, consumers, and employees in other industries, is no object.

But why is the NUM so modest in the objectives in the pursuit of which it is literally prepared to *fight* against the rest of society? Surely it should logically be arguing that even when there is no coal at all left, miners should continue to be paid high wages to bring lumps of useless rock to the surface? Admittedly this would result in somewhat higher losses, but the principle (namely, ignoring economic reality) is the same.

(Professor) D. R. Myddelton.
Cranfield School of Management,
Cranfield,
Bedford.

Purchasing power's place

From Mr Alan Sugden

Sir,—Michael Prowse (July 11) writes with great clarity. In the first half of his review of Professor David Myddelton's book, "On a Cloth Untrue," he is clearly right in that "the financial items in accounts need to be adjusted for changes in money's purchasing power." Constant purchasing power (CPP) accounting will do just this, and no more.

In the second half of his review, Michael Prowse is equally clearly wrong. CPP does not pretend that "the current value of real assets is their original acquisition cost indexed for general inflation in the interim." All that CPP does is to remove the effect of inflation from historical cost (HC) accounts. Thus in CPP accounts the balance sheet figure for an asset is cost less accumulated depreciation in constant pounds, which will be identical to the figure in the HC *balance sheet* when there is no inflation.

The problem of how best to adjust HC balance sheet figures so that they more closely reflect "current value" is a com*pletely separate issue, on which* SSAP 12 (Accounting for depreciation) provides some guidance. It is a dangerous area because it is highly vulnerable to subjective judgment, which scuppered the credibility of current cost accounting balance sheets so effectively.

David Myddelton's book demonstrates that CPP is an effective method of adjusting for inflation, that it doesn't attempt to adjust assets to "currency value," and that CCA fails miserably on both counts.

Alan Sugden.
Bolt House,
West Meon,
Hampshire.

The rating system

From Mr M. Stringer.

Sir,—My company owns an industrial estate with 12 industrial units. These are built on private land with a private road and no street lighting. The local authority does not undertake refuse collection or street cleaning, and there are no security patrols by the police because it is a private road.

Nevertheless, the tenants have to pay full rates and on a recent appeal they were informed that rates are not collected to pay for local services—how does one find out what they are collected for?

I feel this is an injustice to the users of industrial premises. One of this Government's election pledges was to undertake a review and reconstruction of the *rating system* in this country, but it has failed miserably to keep this promise so far.

M. J. Stringer.
Blakeney House,
31, Portsdown Hill Road,
Bedhampton,
Havant, Hants.

FINANCIAL TIMES

Wednesday July 18 1984

CURRENT ACCOUNT SURPLUS SET FOR RECORD

Japan expects 5% real growth

BY ROBERT COTTRELL IN TOKYO

JAPAN'S economy is likely to grow by about 5 per cent in real terms this financial year, its fastest growth rate since 1979, according to *most leading private-sector forecasters.*

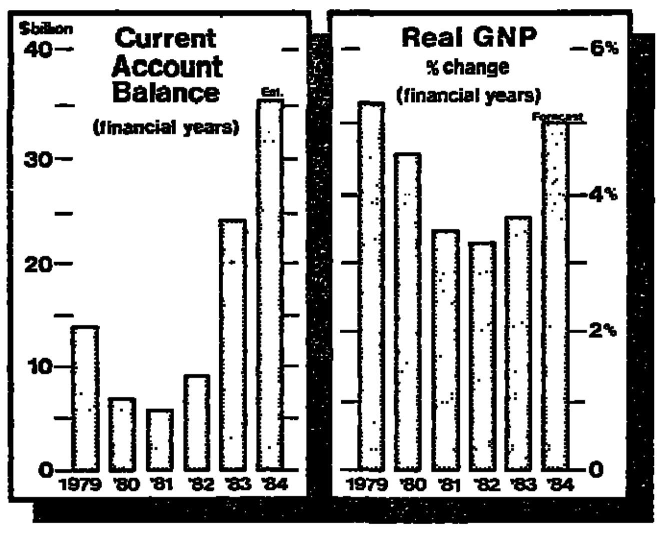
The country's strong export performance is the chief factor behind upward revisions in growth forecasts.

Japan's current account surplus is likely to total a record $35bn to $36bn in 1984-85, against earlier estimates of $30bn, the Government's economic planning agency said yesterday.

Japan recorded seasonally adjusted current-account surpluses of $3.6bn in April and $2.5bn in May, the first two months of the 1984-85 financial year. For 1983-84 as a whole, the surplus was $24.3bn.

The most recent institution to make its economic growth projection is also one of the most conservative, the Bank of Tokyo, which has raised its forecast to 4.7 per cent from a prediction of 4.3 per cent made in April. All the main Japanese research institutes have revised their growth projections upward during the last six months, by between 0.2 and 1.2 percentage points. The Government itself has forecast real growth of 4.1 per cent.

Despite Japan's large current-account surpluses, forecasters now say the yen is unlikely to appreciate significantly this year. The view is a reversal of the conventional wisdom of six months ago, which held the dollar's strength to be fragile, and appreciation of the yen inevitable. According to Bank of Tokyo, the yen's exchange rate against the dollar is likely to be fairly stable in the Y230-Y240 range for the rest of this year.



Revised expectations for the yen derive from Japan's large outflows of long-term capital, which reached $4.4bn in April and $3.7bn in May. The outflows include heavy net selling of Japanese equities by foreign investors, and a shift by investors out of Japanese and into U.S. bonds. In recent weeks, U.S. long-term bonds have been offering yields 5 to 6 percentage points higher than comparable Japanese issues.

Domestic demand so far this year has been slack. Nationwide department store sales in May, for instance, were up just 1.6 per cent year on year. Economists say demand should pick up through the summer, as higher corporate profits feed through into bigger bonuses and overtime payments.

New housing starts, according to yesterday's economic planning agency report, accelerated in May to 1.2m units, 16.8 per cent higher than a year earlier, and the sharpest rise in over a year. The agency also said that corporate bankruptcies in June should be slightly lower than the postwar high of 1,966 in May.

The chief beneficiary of Japan's economic spurt has been the corporate sector, where higher profits are feeding through into higher rates of capital expenditure, with a lower proportion of external financing. Toyota, Japan's largest car maker, is increasing its capital spending budget for the current financial year from Y160bn to Y200bn.

According to a recent Bank of Japan survey, Japan's smaller companies are also investing more, with budgets for the current year 8.7 per *cent higher than in 1983-84. For* larger companies, capital investments are being financed almost entirely by retained profits and depreciation, rather than bank borrowing.

According to a survey of publicly quoted companies conducted by Nihon Keizai Shimbun, 93.9 per cent of capital investment in the 1983-84 financial year was self-financed, compared with 79.6 per cent in 1982-83.

Capital investment by a prosperous private sector is very much what Japan's ruling Liberal Democratic Party leadership wants to see. Mr Yasuhiro Nakasone, Prime Minister, is trying to persuade his colleagues to accept another year of frozen or, better still, reduced government expenditure.

Expansionists, led by Mr Kiichi Miyazawa, a former Minister of International Trade and Industry, want Mr Nakasone to increase government spending on capital works, claiming that Japan's infrastructure *is not* adequate to the needs of a prosperous nation. Mr Miyazawa believes that, with the help of more government spending, Japan could register an average 5.5 per cent real growth annually for the next 10 years.

Most other forecasters are more cautious. This year's growth has been led by U.S. demand, with Japanese exports to that market increasing recently twice as fast as exports overall. When U.S. growth falters, economists say, so will Japan's "windfall" increment of growth.

Britain takes firm line on HK

By Alain Cass in London

THE BRITISH Government is today expected to make a strong effort to reassure both Westminster and the people of Hong Kong that it is standing up to Chinese pressure in the negotiations on the colony's future.

Sir Geoffrey Howe, the UK's Foreign Secretary, is expected to outline to the House of Commons ideas for testing public opinion in Hong Kong when a draft agreement is finally concluded with Peking. Sir Geoffrey may suggest the setting up of a special office in the territory to which the people of Hong Kong could make representations.

Sir Geoffrey is expected to reassure the British Parliament and Hong Kong that Britain intends to maintain full control of the territory until 1997, when the UK's leases on most of the colony expire and China is to resume sovereignty.

It now seems certain that the UK negotiators will resist the idea of the joint Sino-British commission suggested by Peking to oversee the transition period, a scheme widely regarded in the colony as a back door to effective Chinese takeover before 1997.

Officials insist that, despite increased nervousness in Hong Kong over the state of the negotiations, they are not "in crisis."

Sir Geoffrey's statement will follow the recent visit to the colony by Mr Richard Luce, the UK Foreign Office minister responsible for Hong Kong, and will precede his own planned trip to China and the territory later this month.

It will also coincide with today's publication in Hong Kong of the long-awaited Green Paper (discussion document) on proposed changes to the way the territory is governed.

The Green Paper is expected to set out ways in which the colony's government can be made more democratic, without, however, recommending any radical reform of the present system.

It is likely to propose instead a gradual broadening of the way in which members of the appointed Executive and Legislative Councils are chosen in the run-up to 1997. Pressure has been growing recently for an elected body to govern Hong Kong.

THE LEX COLUMN

A crown of Thorns for the City

The floor of the London Stock Exchange saw about as much activity yesterday as the waters of the Channel. Both the equity and gilt-edged markets are showing increasing trepidation about the impact of the dock strike, and neither a slightly firmer pound nor an encouraging set of June Public Sector Borrowing Requirement figures managed to relieve the gloom. Only Midland Bank could afford the ghost of a smile, as Crocker National announced a return to profits, albeit meagre, in the second quarter.

Thorn EMI

Long ago, when Thorn EMI was a beneficiary of the UK 1983 consumer boom and its shares were racing along towards £7 each, speculation about a rights issue seemed to cause it mild amusement. This was a group, after all, able to boast awesome cash generating ability just around the corner. With timing which accordingly struck the market as quite spectacularly perverse, Thorn yesterday unveiled a one-for-five rights issue and confirmed at a stroke all the worst fears of its long-suffering supporters in the City of London. The shares dropped 42p to 421p, which compares with a rights price of 446p.

Thorn is raising £136m principally to fund the purchase of Inmos which it announced last Thursday. It appears there were good reasons why the group had to go ahead then or risk losing the whole deal, not least the Government's impatience to sell. Arguably Thorn should reluctantly have bowed out; but none of the unfortunate aspects of the timing alter the prospects for Inmos, which could still make pre-tax profits approaching £30m in 1985 and an important contribution to the group's whole profile in future years. Even if it was a good idea to buy Inmos, the question remains whether Thorn was well advised to proceed with yesterday's issue.

Adjusted for the proceeds of the issue, and taking account of the fact that Inmos's purchase price is very largely made up of goodwill, Thorn's equity will emerge at around £680m. Adding Inmos's own debt of £53m to group borrowings lifts these to 54 per cent of tangible net worth against 49 per cent at the end of March. Resorting entirely to additional debt for its acquisition would have left Thorn with a 77 per cent debt gearing – a heavy burden, but one the group could surely have shouldered for a while.

As it is yesterday's issue, accompanied as it was by vague references to other expansion plans, only underlined the impression that Thorn has lost touch with City of London thinking. This in itself may hobble the share price for years to come, however well the Inmos investment works out.

Thorn admittedly managed in the end to win acceptance for its controversial takeover of EMI but, as may prove the case with the funding of Inmos, this took a long time. More immediately, though, the loss of confidence in Thorn seems bound to exacerbate the City's worries about its current operations.

The first quarter has clearly shown the impact of lower consumer spending and Thorn is now threatened also with disappointment over TV sales ahead of the summer Olympics, for which it has built up heavy stocks. The additional financing cost of these, in fact, might very well cancel out a prospective post-interest, pre-tax contribution of perhaps £9m from Inmos for 1984-85. City estimates of total group pre-tax profits for the current year still range widely between £160m and £190m.

At the high end of the range, and adjusting for the rights issue, the shares now stand on an actual tax multiple of just over 7½. That might one day look a bargain indeed if Inmos lives up to expectations. Thorn could still rue the day it pressed on with its purchase, especially if the Inmos management should bow out at any stage.

MFI

It can scarcely be pure coincidence that MFI's shares are almost exactly where the market left them after last October's rights issue. In recent weeks MFI's strategy of expanding sales area on the broadest possible front has begun to rub up against fears of a squeeze on retail expenditure – doubts which climbing mortgage rates have naturally sharpened.

At 135p the shares have fallen nearly 10 per cent relative to a sagging market in the last month.

Not that there is anything wrong with the latest set of results. They show a 37 per cent increase in earnings per share for the year to May, the joint product of an 11.5 per cent rise in sales per square foot – and an 8 per cent growth in sales area. And taking a robust view of the retailing environment – mortgage rates, mining strikes, dockers and all – the momentum of MFI's expansion should be sufficient to produce of rise a around 20 per cent in sales this year, with an improvement in profits to perhaps £45m.

On that basis the prospective multiple on a 38 per cent tax charge is 9 to 10 times, not in itself the sort of level to cause altitude sickness.

Nor is this necessarily the moment at which to desert the stores sector. It has been an unfashionable area of the market for 18 months already. For all its well-deserved reputation as a professionally managed retailer, MFI has barely regained its sales per foot ratio of 1980 – a reminder that it slogged through the last cyclical trough burdened by the less than inspired rush for growth which led it to buy Status Discount.

Chicago bank seeks backers

By William Hall in New York

CONTINENTAL Illinois, the beleaguered Chicago bank, has confirmed that it has been discussing with wealthy private investors a possible capital injection to help to restore confidence.

Wall Street has been alive with gossip over the past couple of weeks that private investors were planning to take a gamble on Continental Illinois. Although few of them know much about banking, they argue that, were the price of oil to rise, many of Continental's oil-related loans would look much healthier and the bank would be transformed into a very profitable institution again.

Well known names in the corporate takeover world, such as the Bass brothers, T. Boone Pickens David Murdoch and Carl Lindner, have all been mentioned as possible investors, but neither the U.S. bank regulators nor Continental Illinois have disclosed what sort of deal they are talking about.

Mr David Taylor, Continental's chairman, told his staff in a letter this week that the bank and its advisers had been exploring a possible capital injection from private investors. According to Mr Taylor, the bank is working on "one of the most complicated financial transactions of the century."

That explains its delay in seeing the light of day – a delay which has been sapping staff morale and increasing the loss of confidence in the bank.

Mr Taylor said there was a "strong likelihood" that Continental Illinois would be transformed into a "strongly capitalised" institution with a "much higher level of asset quality" through a series of transactions that he and his colleagues have been discussing with U.S. bank regulators in Washington

U.S. bank regulators are believed to have set a deadline of the end of this month to find a permanent solution to Continental's troubles. The bank is relying increasingly heavily on the support group to fund itself. An estimated $10bn or roughly 40 per cent of the group's funding needs is being raised from the support group.

Citicorp earnings decline 2% as bank results continue mixed

BY PAUL TAYLOR IN NEW YORK

CITICORP, the largest U.S. banking group, yesterday reported a 2 per cent fall in second quarter net income to $206m as all three of its major banking business groups posted slight declines in earnings.

Mellon National, the 13th largest U.S. banking group in terms of year-end assets, posted a significant 19.8 per cent decline in earnings, which it attributed mainly to a substantial increase in provisions for credit losses during the quarter.

In contrast **Bankers Trust**, the 10th largest U.S. banking group, reported a 13 per cent gain in net income – excluding special gains – to $70m or $2.19 a share compared with $61.8m or $2.04 in the same period last year.

Citicorp's second quarter earnings, equivalent to $1.49 a share, compare with $210m or $1.59 a share in the same period last year. For the first half the New York-based banking group reported net earnings of $429m or $3.13 a share against $438m or $3.33 in the 1983 first half.

The group said its institutional banking division earned $159m in the second quarter, $18m less than a year earlier, and blamed foreign exchange trading and some slippage in net interest revenues.

The division's provision for loan losses increased $12m to $57m in the quarter compared with a year ago. The provision included $55m in net charge-offs compared with $35m in the 1983 quarter. The total allowance for possible commercial loan losses increased to $547m or 0.94 per cent of total loans from $528m or 0.85 per cent.

Non-accrual and renegotiated commercial loans rose slightly from the end of the first quarter to $2.4bn or 2.6 per cent of loans compared with a high of $2.8bn at the end of the 1983 third quarter.

Citicorp noted that the recent new federal banking guidelines on non-accrual loans had little impact "since they only reflected Citicorp's normal practices in this area." Non-accrual loans grew marginally in the latest quarter, including an increase in Argentina of $82m of public sector loans and $56m of private sector loans, bringing total non-accrual loans in Argentina to $479m out of total net outstandings in the Latin American nation of $1.1bn.

Citicorp said the pre-tax impact attributable to the Argentine non-accrual loans was about 1 per cent of total revenues, or about $11m after tax.

In its individual banking business Citicorp noted strong revenue growth but said earnings were reduced by $3m in the quarter and $9m in the first half because of losses associated with its recent acquisition of several troubled savings and loans associations. As a result net income for the quarter fell 7 per cent to $52m from $56m.

Citicorp's investment bank division also showed a decline in earnings, reflecting "the difficult conditions encountered in worldwide securities markets" which offset gains in fee income, net interest revenues and income from various venture capital investments. As a result net earnings in the division fell 9 per cent to $31m from $34m a year ago.

Overall, Citicorp said its total allowance for loan losses increased to $835m or 0.88 per cent at the end of the quarter from 0.84 per cent a year ago. Of the $139m provided for loan losses in the latest period $117m covered actual write-offs and $22m was added to reserves.

Texas Commerce Bancshares, the Houston based bank holding company, lifted second quarter earnings from $44.4m to $46.4m, or from $1.38 to $1.43 a share.

At the halfway stage earnings rose from $89.2m to $92.2m or from $2.77 to $2.84 a share. The 1983 figures have been restated to allow for the pooled acquisition of the bank of Pasadena last July.

Non-performing loans were $312m at June 30, up from $242m at the end of the first quarter and $253m at mid 1983.

Crocker National the troubled California subsidiary of Midland Bank of the UK, which owns 57 per cent and last week announced plans to buy full control, managed to post a modest $6.1m or 28 cents a share net profit in the second quarter, despite a further increase in non-performing loans

Amex slips 29 per cent, Page 15

Court overrules Flick files secrecy

BY RUPERT CORNWELL IN BONN

THE West German constitutional court has handed a clear defeat to the Government in a keenly awaited decision on the "Flick slush fund affair." The ruling also represents a victory to the cause of increasing the watchdog authority of parliament.

The court issued a ruling yesterday that the Government must make public all the files that have been sought by the special parliamentary committee set up to examine whether the Flick industrial concern made clandestine payments to parties and politicians in return for tax concessions.

The finance and economics ministries, the two departments involved, had refused to do so, and argued that such a step would violate the secrecy that legally surrounds particular tax cases.

The court declared that such considerations could not take precedence over the right of an elected parliament to carry out its own investigation.

In practice, the ruling is unlikely to have much effect on developments in the Flick affair, in which connection two former economics ministers and an ex-Flick executive face trial this autumn on corruption charges.

It none the less represents a useful moral victory for the Social Democrat and Green opposition parties and a public-relations defeat for the ruling centre-right coalition of Chancellor Helmut Kohl.

Daimler Benz plans expansion

By John Davies in Frankfurt

DAIMLER-BENZ, the West German motor vehicle manufacturer, may expand its activities abroad with new projects in Mexico and Egypt.

The company is willing in principle to negotiate the licensing of diesel engine and truck production in Mexico. It has also confirmed that it is seeking Egyptian Government approval for a joint venture truck and bus assembly operation.

Daimler-Benz already has substantial commercial vehicle assembly operations abroad, notably in the U.S., Latin America, Africa, the Middle East and Asia.

Although commercial vehicle markets have been depressed recently, Dr Werner Breitschwerdt, chief executive, has stressed that the company sees further growth prospects in this area.

The possible Mexican project came up in discussions between Dr Gerhard Liener, a member of the Daimler-Benz management board, and President Miguel da la Madrid and other Mexican Government representatives.

Dr Liener indicated that Daimler-Benz was interested in co-operating with Diesel Nacional SA, the state-owned commercial vehicle producer. He said the company was willing to enter into discussions on granting a licence for the manufacture of diesel engines and of light and medium class trucks.

Daimler-Benz indicated that the establishment of a joint venture company in Mexico was also feasible.

The West German concern confirmed yesterday that it planned a joint venture in Egypt with Misr Auto Trading Company to assemble medium and heavy trucks and buses.

Daimler-Benz declined, however, to give details until the Egyptian Government had responded officially to its request for approval for the project.

The company said that Egypt was already a market for its commercial vehicles, but Mexico was closed to it because of the Government's insistence that such vehicles be assembled locally.

Daimler-Benz produced more than 226,300 commercial vehicles worldwide last year

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	24	75	Dubrovnik	C	25	77	Malaga	S	26	79	Salzburg	C	13	55
Akrotiri	S	28	82	Faro	S	24	75	Malta	S	27	81	Seoul	S	29	84
Algiers	—	—	—	Florence	F	26	79	Manila	S	34	93	Singapore	R	26	79
Amsterdam	C	16	61	Frankfurt	C	15	59	Miami	C	30	86	Stockholm	C	20	68
Athens	S	32	90	Funchal	S	21	70	Milan	F	25	77	Strasbourg	C	17	63
Bahrain	S	38	100	Geneva	S	19	66	Moscow	S	27	81	Sydney	S	16	61
Bangkok	S	33	91	Gibraltar	S	24	75	Munich	C	13	55	Taipei	S	36	97
Barcelona	S	24	75	Guernsey	S	18	64	Nairobi	C	20	68	Tangier	S	23	73
Beirut	S	28	82	Helsinki	R	16	61	Naples	F	26	79	Tehran	—	—	—
Belgrade	R	14	57	H. Kong	S	32	90	New Delhi	C	35	95	Tel Aviv	S	32	90
Berlin	C	15	59	Innsbruck	C	15	59	New York	R	30	86	Tenerife	S	30	86
Biarritz	S	23	73	Inverness	F	20	68	Nice	S	26	79	Tokyo	S	32	90
Blackpool	F	17	63	Istanbul	S	34	93	Oporto	S	21	70	Toronto	C	25	77
Bordeaux	F	24	75	Jersey	S	19	66	Oslo	F	21	70	Tunis	S	30	86
Brussels	F	18	64	Jo'burg	S	18	64	Paris	F	20	68	Valencia	C	27	81
Budapest	C	21	70	Las Palmas	S	29	84	Prague	R	13	55	Venice	S	24	75
B. Aires	C	16	61	Lima	C	20	68	Reykjavik	C	13	55	Vienna	F	17	63
Cairo	S	36	97	Lisbon	S	21	70	Rio de J'o	C	30	86	Warsaw	C	16	61
Cape Town	F	17	63	Locarno	F	24	75	Rome	S	27	81	Zurich	C	13	55
Caracas	C	28	82	London	F	20	68								
Casablanca	S	23	73	Los Angeles	S	33	91								
Copenhagen	S	22	72	Luxembourg	C	14	57								
Corfu	S	29	84	Madrid	S	30	86								
Dublin	C	18	64	Majorca	S	24	75								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Dock talks at impasse

Continued from Page 1

Road hauliers said if the strike continued drivers would soon have to be laid off. At Calais, a British owner-driver, Mr Steve Postans, said: "If this goes on for two or three days more I will go broke."

Mr Gordon Brown, director general of the Institute of Freight Forwarders, said there had been few reports yet of cargoes being landed on the European Continent and trans-shipped to small UK ports, but it could take up to 10 days to make arrangements.

● Danish bacon and butter producers are seriously concerned at the effects of the strike, writes Hilary Barnes in Copenhagen. About 40 per cent of Denmark's pigmeat exports and 50 per cent of its butter exports, usually go to the UK, but exports have now been reduced to a trickle.

ESS-Food, the main bacon exporting organisation, said that stocks in the UK were low and supplies would not last more than a week.

The bacon producers have asked the EEC to provide subsidies to put bacon into store until the strike is over. The butter producers, however, say there should be little difficulty in finding alternative outlets in West Germany and the Middle East.

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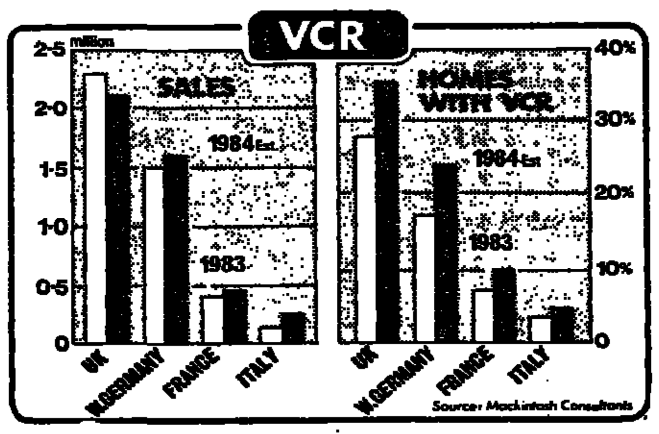
VIDEO AND BROADCASTING



● A new development by Kodak into the world of video: the local photographic shop will never be the same again, with even the familiar yellow Kodak sign now signifying videotape, as well as film and, soon, videocameras.

The video and broadcasting industries have entered a period of rapid expansion and change, with major uncertainties and opportunities. Satellite broadcasting and cable television are following swiftly behind the video boom, forcing the traditional broadcasters to re-assess their role and future.

Big challenge for programme-makers

By the end of this year, the world should have a population of 60m videocassette recorders. Statistics such as these have kept the adrenalin flowing in the relatively new consumer business—inevitably focusing most of the attention on the hardware manufacturers, their achievements and their economic battles.

Yet every new VCR is generating further business for others beyond the factory gate, and even though some Japanese electronics manufacturers now have more than 50 per cent of their turnover in video, the programme makers, dealers and facilities companies have experienced a very welcome boost to business, too.

JOHN CHITTOCK looks at changing retail markets and the impact of the video industry beyond the factory gates.

When one video programme—*Making Michael Jackson's "Thriller"*—is expected to achieve world sales of over 1m units, clearly there is money to be made out of video for others as well as the manufacturers.

Video arrived just in time for the UK television rental companies when the public was switching to the purchase of TV sets; at its peak VCR rental accounted for about 75 per cent of all machines in British homes.

It also provided a new market for feature films—not only the block-busters and the so-called "collectibles" (Bogart to Buster Keaton)—but, surprisingly, for some of the movies which did not do so well in the cinema.

London's Soho, possibly the world capital of the video facilities business, has also benefited substantially. Where once their customers were production companies working for a narrow market sector (industry, advertising and broadcasting) they now serve a mass consumer market too.

At the end of this newly-created chain of business are the dealers—in UK alone variously estimated to number 10,000-14,000 retail outlets for video programmes alone. The local photographic shop will never be the same again either with even the familiar yellow Kodak sign now signifying videotape as well as film (and, soon, video cameras).

That has been the success story, tinged with some upheavals to traditional businesses. But a down-side is emerging for many, and as the industry gets its second wind the familiar signs of competition are bringing a shake-out for the weak, the inefficient or those unable to adapt.

For the TV rental companies, renewal rates of VCR rental contracts have been falling as more consumers buy their machines. Less than 50 per cent of UK's machines are now rented and the Granadas and Radio Rentals are painfully aware of the need to diversify.

The rental and sale of video programmes has been, of course, an important extra product line for many TV rental shops—but this end of the business is now experiencing a certain amount of blood-letting. Some video programme shops have partly brought it on themselves with fierce competition—not only opening on opposite sides of the same street, but slashing rental prices to as low as £1 per night.

One current forecast is that 3,000 video shops will close in UK by the end of this year. That possibility must be kept in perspective, of course, because there were far too many in the first place.

Nonetheless, the programme distributors have been alarmed at declining rentals when a year or so ago business was booming. The falling off is blamed partly on the novelty of video wearing thin; also on the growing determination of customers to be more discerning and not to just rent or buy any old titles.

The industry's response—more realistically going to the heart of the problem—has been to attack its own pricing structures for software. It does really seem extraordinary that the boom in programme sales and rental occurred against a background of prices sometimes exceeding £40 for a feature film.

In the case of one important distributor, Warner Home Video, none of the titles from this leading Hollywood studio were available on sale at all, only rental. Dealers were obliged to lease the cassettes from Warner on a basis which returned more on each rental—albeit relieving the dealer of a large capital outlay in buying titles outright.

Leasing schemes have been controversial, however, and the cut-throat shops with titles (sometimes pirated copies) at £1 per night caused severe problems for others committed to regular leasing payments. Warner has now reluctantly abandoned its leasing system, and so, too, has RCA/Columbia (who also sold cassettes).

The bad news for the dealers, however, is that those whose libraries were built up on leasing stocks are now faced with the prospect of a large capital outlay to maintain their libraries.

New approach

Meanwhile, other distributors are trying to kill off the high price/low volume mentality and are beginning to offer dealers even top flight films at drastically reduced prices—such as CIC's An Officer and a Gentleman at £13.50, retailing for as little as £19.

This more realistic approach begins to bring the videocassette of a movie into the price range of a hardback book. When that happens, print publishing may never seem quite the same again.

For the video facilities industry, which has found such important new business through consumer video, signs of similar competitive trends are not difficult to find—especially where the volume work of video duplicating is concerned.

Some companies, such as CBS/Fox, have their own duplicating operations—and now have acquired a front end mastering facility.

Where the industry is less price conscious is in the highly-specialised post-production services, which are less relevant to the preparation of feature films for video release—more involved in the technical chain of new, original video productions. The services range from complex video editing suites (where the capital investment in a tiny back room could buy a house in Chelsea) to studios with all manner of back-up facilities (some including land-line links to the Post Office tower, others satellite down feeds).

The high technology of this end of the business has created its problems, too.

One of the market leaders, Molinare, has had a troubled 18 months—surrounded by some of the most sophisticated equipment in any European facilities house, a nightmarish overhead for anyone to manage. New broom Gerhard Wick is finding one way to revive Molinare's fortunes—seeking business in Europe. A major drive there is hoped to attract £½m extra revenue to add to a claimed £½m now coming from Spain.

Britain certainly is attracting overseas business, with our prowess in technical talent and our concentration of resources in the centre of London. Add to that the current flush of international production in our film studios, where again British technical talent is unrivalled, and the nation has an invisible export earner of some promise.

The Japanese may well dominate the world with VCR technology and manufacture, but Britain's catholic experience in the screen media—interfacing broadcast television, video, the cinema and film production—is challenged only by America, which cannot however match the UK in geographical concentration and convenience.

This breadth of experience, supported by a consumer demand per capita that puts us among the leaders, must augur well for the future whatever the current anxieties suggest.

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Video recorder sales boom

SALES OF video recorders throughout most of the world are continuing to boom. The notable exception is Britain, which is the first market to mature, with sales in 1984 expected to be lower than last year.

By Jason Crisp

The still youthful video recorder business is beginning to mature in other senses. The long expected shake-out of the three incompatable VCR formats appears to have started with Philips and Grundig, proponents of the V2000 system, now committed to selling the rival VHS format in Europe.

In addition manufacturing has begun to move slowly to countries other than Japan which has so dominated the VCR business. All the same Japan is currently making about 2m videos a month, the great majority of world production.

The sales boom has been greatly helped by the U.S. which, after a slow start, is now by far the largest market for VCRs. Sales there are expected to rise 60 per cent in 1984 to 6.6m machines. By the end of the year 19.2 per cent of U.S. homes with television will have a VCR.

The slow initial interest in VCRs in the U.S. has been explained by the high level of cable TV there, which is available in over 40 per cent of homes. The recent upsurge in interest in VCRs has given some hope to those who fear that conversely the high penetration of VCRs in Britain will blunt its appetite for cable.

The factors influencing the demand for VCRs in each country differ considerably. A wide availability of TV programming—either broadcast or cable—appears to slow the growth of video. The lowest penetration of VCRs in Europe is in Italy where the liberalisation of broadcasting has resulted in a very wide choice of stations.

In Britain the limitation of four broadcast channels and very little cable TV appears to have been a stimulant. Another factor has been the quality of broadcast TV. The generally acknowledged high standard of British broadcasting means it is worth recording programmes off air to watch at more convenient times.

There are a number of explanations for the relatively poor demand for videos in France. In the past the government made it difficult to import VCRs, most notably through its short lived but infamous scheme which insisted all imports should be routed via a customs shed in Poitiers. But VCRs attract a high luxury tax in

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A sales boom for VCRs

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France and have to have an annual licence.

It is also suggested that French television is too boring for anyone to record. More charitable explanations note that the French have better things to do with their lives than watch television at all.

While demand is still buoyant in the rest of the world the industry is now paying close attention to what is happening in the UK to see if it indicates a pattern which will be echoed in other markets.

Eighteen months ago the UK was the strongest video market in the world. Sales were only fractionally less than Japan—with twice the population—and penetration was easily the highest in any industrialised country. According to a half yearly survey by *Screen Digest*, Britain will still be the third largest market in 1984, buying 1.9m videos in 1984. On that basis 40 per cent of UK homes with TVs will have a video at the end of this year.

The British video market has been very weak for several months and other estimates suggest the figure may be as low as 1.5m compared with 2.2m in 1982. The problem has largely been felt by the rental industry which was partly responsible for the boom in the first place. The rental companies are reluctant to give details but it is thought the level of returns has been so high in the first part of the year that the net growth in VCR rental placements was nil.

"There is blood all over the place," said British Electric Traction as it proposed to sell its Rediffusion TV Rental subsidiary to Granada.

The rental market is particularly critical to demand in the UK as it accounts for about half the VCRs placed. The unanswered question is whether people who return rented VCRs then go and buy the product—as has been happening with colour TVs—or they are learning to live without it.

The past strength of the UK video market has been one of the reasons many of the Japanese manufacturers have set up assembly operations in Britain. All the major Japanese producers have some form of assembly operation in Europe.

Most of the assembly operations are limited and unprofitable, according to industry observers. The plants have been set up partially to counteract the growing European objections to the imbalance of trade caused by VCRs. In addition they help sidestep voluntary import restrictions between the EEC and Japan and provide a base within Europe should protectionism worsen.

In the UK Sanyo, Mitsubishi, Sharp, Toshiba and J2T make VCRs. Matsushita, Hitachi, Sanyo and Sony are also making videos in West Germany in addition to Philips, Grundig and ITT. After Philips and Grundig, J2T is Europe's largest producer of VCRs making over 600,000 units a year at plants in Berlin and Newhaven, Sussex.

J2T is a joint venture between Britain's Thorn EMI, Victor Company of Japan (JVC) and Telefunken, the West German consumer electronics group now owned by Thomson of France. The joint-venture employs over 1,000 people and has been moving fairly quickly towards local procurement of parts.

Thomson of France has begun to take an increasingly important role in Europe's video recorder industry. The company currently assembles the VCR mechanisms at two factories in France. At the moment the company is assembling parts imported from JVC in Japan but is moving towards local supply. Eventually Thomson intends to make drums which carry the tape and contain the recording heads. This is the most critical part of VCR manufacture involving exceptionally fine tolerances of engineering for a mass produced item. Thomson mechanisms are sold, at present, to J2T although other Japanese producers have shown an interest in purchasing from it.

Thomson has a research and development and design capability which it hopes will give it complete independence from the Japanese. Mr Rudolf Barkhuis, inductorial manager for VCRs at Thomson said earlier this year: "We must have the total technology. Today we have the technology to do the electronics—the great part of video is just TV technology. We also have the specialist servo technology to drive the motors. The only thing we do not know is the mechanical part.

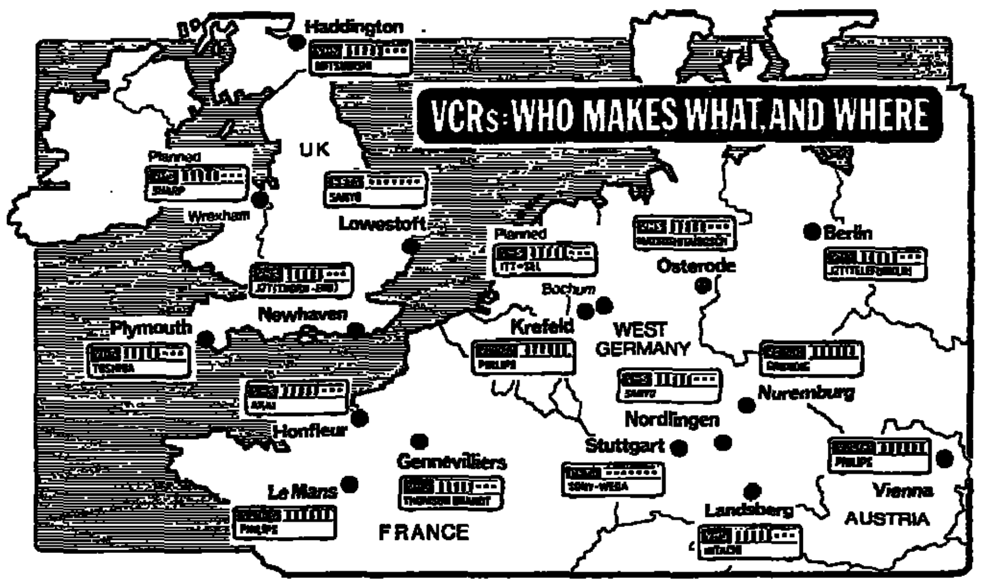
The most widely anticipated event in the VCR industry this year was the move by Philips and Grundig into the VHS format. The Philips' developed V2000 format had only ever had modest success in a very limited number of markets such as the Netherlands and West Germany. It was not even a contender in the U.S. or Japan and failed badly in the UK.

Last year Philips acquired a licence to the VHS technology from Matsushita. At that time it was said Philips and Grundig would only make VHS videos for markets where V2000 was not sold such as North America, Asia and Australia. In March Philips made the key announcement that it would sell VHS in the UK. Even though the company was at pains to say this did not mark the end of the V2000 format there were few in the industry who were convinced.

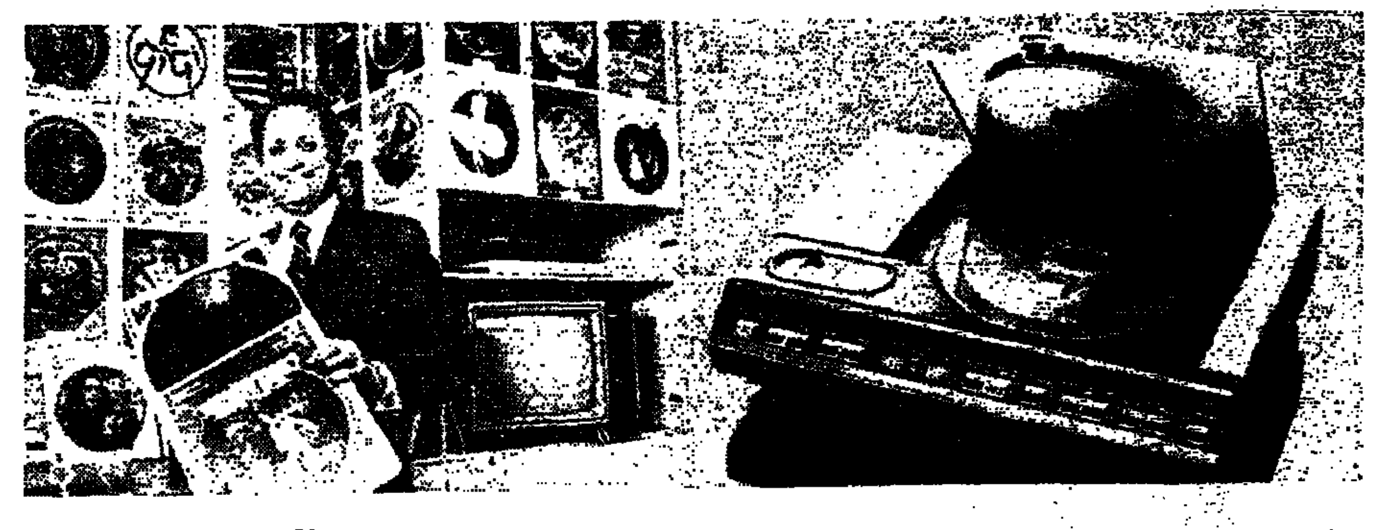
Production of VHS recorders beginning at Grundig's plant in Nuremburg and Philips' factories in Vienna, Austria and Krefeld in West Germany. The *company has more recently* acknowledged it will also sell VHS in continental Europe. The move now focuses attention on the Beta format, developed by Sony.

Sony's Beta format has about 25 per cent of the world market and its main supporters are Sanyo and Toshiba. But the number of Beta supporters has been falling. At the beginning of this year Zenith, one of the leading consumer electronic suppliers in the U.S. and the only one supporting Beta, switched to VHS. Toshiba too to make VHS recorders at Plymouth in the UK to supply the European market where the JVC developed format is strongest.

While the world markets for video continue to grow strongly the pressure on Beta is not expected to be too fierce in the immediate future.



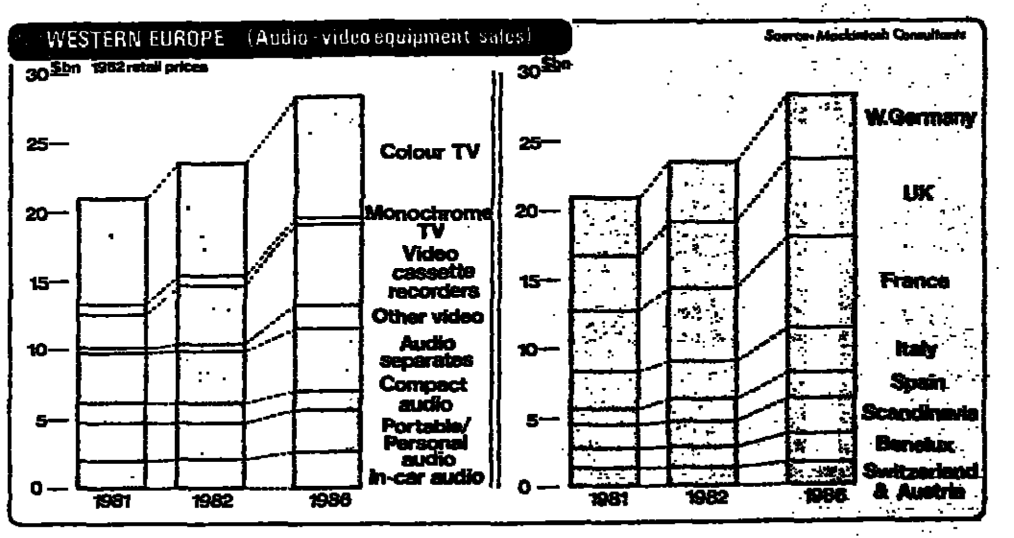
The past strength of the UK video market has been one of the reasons many Japanese manufacturers have set up assembly operations in Britain.



● In happier days, an RCA official (above) spoke in 1981 of "video disc fever" as 5,000 retail outlets in the U.S. were offered a wide range of feature films and programmes on video disc. This year RCA suddenly announced it was ending the production of CED video disc players, having lost $500m on its video disc activities.

RCA is still producing discs for its machines and, like other suppliers in the field, has been rapidly increasing the proportion of music discs and pop videos.

● Philips Laservision video disc system (above, right) is the most expensive and sophisticated of the video disc systems with excellent pictures and facilities interactive systems



The one bright spot for the venture is in commerce and industry

Videodiscs stay stuck in the groove

WHEN RCA, the U.S. publishing and electronics giant, abruptly announced in April that it was ending the production and marketing of CED video disc players, even its main competitors were concerned.

By Jason Crisp

The home video disc business has steadfastly refused to take off, despite hundreds of millions of dollars of investment and extensive promotion. RCA's with*drawal from the market means* there is now much less effort being put into making video discs a mass market product.

For RCA it was a remarkable decision. When it launched its CED video disc system in the U.S. in 1981 RCA described it as "the priority project for the decade." Video disc was RCA's biggest product launch since colour television.

In three years RCA lost well over $500m on its video disc activities, which included heavy promotion and some drastic price-cutting. Last October it also launched the CED video disc system in Britain in conjunction with Hitachi of Japan on the grounds that if a new video product could not succeed in Britain, it probably would not succeed anywhere. As yet it has not been withdrawn but sales have been very limited.

Most of the world's leading electronics groups were working at some time on developing video discs including Philips, RCA, Matsushita, Victor Company of Japan (JVC), Sony and Pioneer. Only three systems—each incompatible with the *other—have been developed to* a commercial product.

The three systems are:

● RCA's Capacitance Electronic Disc which was also known as Selectavision. It was the cheapest and least sophisticated of the three systems and was launched as a home system in the U.S. in 1981 and the UK in 1983. The disc has a very fine groove which is tracked by a stylus with an electrode.

● JVC's VHD system which is more sophisticated than the RCA system with better quality pictures. One point which is very important is that it has good interactive facilities because the player can move very quickly to any part of the disc. This means it can be used as part of a learning or training system.

Smooth disc

VHS is a smooth disc (which like CED has to be loaded into the player from a special protective holder) covered with a very fine spiral of "pits," read by an electrode gliding over the surface.

The VHD system was launched in Japan after a succession of delays in 1983 as a home product. Thorn EMI in Britain which had intended to launch it as a consumer product abandoned such plans which meant writing off a £20m investment in a disc pressing plant in Swindon.

But that investment has not been a complete waste as late last year Thorn EMI entered the thriving professional and industrial video disc business with VHD players and is using the Swindon plant on a limited basis.

● Philips' Laservision video disc is the most expensive (*although it has cut prices* dramatically) and most sophisticated system with very good quality pictures and facilities for interactive applications.

The silvery optical discs are covered with billions of minute pits which are "read" by a fine laser beam. It is the same system which is used in the new Compact Disc audio equipment. The discs are not easily damaged and need no special protection.

Laservision was first launched in the U.S. in 1978 on an initially limited basis and is also available in Japan and much of Europe. As a home system it has not had much success so far, but like VHD it is having better reception in the industrial market.

Why has the video disc been such a failure, so far, in the domestic market?

Clearly one of the biggest single reasons has been the video recorder which became generally available several years earlier.

Videodisc pictures are a little better than those from a VCR and most video disc players have stereo sound and are also a *lot* cheaper. But they cannot record broadcast programmes which gives the VCR such an advantage.

Another significant factor in the slow demand for videodiscs has been the lack of available programming or software. When RCA and Hitachi launched CED in Britain last year there were *only 100 titles available* ranging from feature films to children's programmes. At that time, Philips' Laservision only had 400. Anyone buying a video*disc player would probably only* want to watch a few hours out of the available programming.

The third factor is the marketing of video discs. Most companies have been selling the disc as a straightforward video product in competition with the VCR emphasising the price difference of the hardware and programming. However, the hardware price differential was never enough for people to forgo the advantages of the VCR. As most people rent prerecorded video tapes, the cheaper price of discs still could not compare.

It is only recently that the video *disc* suppliers have recognised the products' attraction as an audio product. The best-selling discs have consistently been pop videos. Both Philips *and RCA, which for* the time being is still producing discs, have been rapidly increasing the proportion of music discs.

One problem of selling video *discs as an audio product* with added *pictures* is that it puts them into competition with another fledgling product with major potential in consumer electronics—the Compact Disc. *But this is not stopping* Philips from introducing a special 8-in video disc for music.

Bright spot

There is one real bright spot for video discs in commerce and industry. The interactive abilities of video disc players make them a potentially powerful tool for education and training. Many leading companies such as motor manufacturers, banks and computer companies are starting to use video disc systems for internal and external communications.

For instance, late last year, IBM *placed a major order for* Laservision players which are being used in dealers which sell the U.S. computer giant's Personal Computers. The system can both teach the sales staff how to sell the PC and will also help customers learn about the product.

While the future of video discs in the home still appear to have an uncertain future there is little doubt that there is a major market for the product in commerce and industry.

● Link 125A studio cameras (left) and NEC lightweight cameras are used at Limehouse Studios in the heart of London's Docklands. Also seen here is the studio one production gallery

Gamble on the narrow format

JOHN CHITTOCK on the 8mm video market and its attempts to make up lost ground

A SMALL group of the world's leading video journalists recently met in Paris as guests of JVC. Two topics of conversation dominated their discussion, confirming the burning issues of the day in the international video business. One was the evergreen matter of Japanese exports to the West. The other, 8mm video.

Although the French journalists present prolonged the import-export discussion, it became clear that this subject has now been exhausted to death. Indeed, one well imbibed journalist showed his weariness by suggesting that the Japanese export of saki was now more relevant; another even suggested that VHS really stood for Very Hot Saki.

The reason that 8mm video now sweeps all before it as a preoccupation of the business is not technical, nor even economic. Close analysis of the so-called 8mm videotape format reveals none of the benefits mutually ascribed to it, and the cause of all the excitement is really Kodak's decision to enter the consumer video market on the back of this narrow tape format. The excitement has been given further hype by decision.

● Lightweight camera technology: the Betacam system in use at the Mediterranean Games at Casablanca

Polaroid later making a similar

The 8mm format offers a combined video recorder and camera designed—in the words of Kodak—"to simplify and popularise electronic image-taking among amateur photo-camcorder (as the hybrid is now called) promises to do just that, although not uniquely for 8mm. The equipment is of weight to amateur film movie cameras, and is certainly no more difficult to use.

Since Kodak in particular have taken what some might describe as a recklessly long time to enter the video business their decision to be the first to market 8mm video repersents a bold attempt to make up for lost ground.

Although the technology and the hardware are Japanese, Kodak are using their marketing strength—and their understanding of the consumer image-taking business—to leap ahead of the field in what they see as the new generation of home video recorders, especially for a company that has been the market leader in photography for nearly 100 years but now sees video eroding that leadership.

But despite the early excitement generated by Kodak's decision at the start of 1984, more and more analysts and experts in the video industry are giving 8mm video the thumbs down.

The advantages claimed for 8mms video are compactnes and light weight of equipment, small size of cassette,s availability of FM audio sound, and — most conjectural of all — adoption of a "next generation" technology now, using a standard agreed by 120 manufacturers.

Major rival

On the matter of size and weight, 8mm video has so far failed to beat its major rival — JVC's VideoMovie system (which uses smaller-version VHS cassettes, but compatible with standard VHS video-cassette recorders).

In fact, the VHS camcorder is half a kilogram lighter than Kodak's system, a third of a kilogram lighter than the Philips' 8mm version, and smaller than both.

By using narrower tape, 8mm gains little in size reduction in the camcorder — for which

It seems a plausible rationale, width is not the crucial dimension. The only size advantage is in the cassettes themselves, but the differences are those of a pocket diary to a packet of king-size cigarettes; hardly of great consequence.

The availability of FM audio sound on portable systems will be of no relevance to the average movie maker. Hi fi sound becomes significant only when playing back pre-recorded tapes of superior quality — and FM sound is already available on home VCRs of the larger VHS and Beta formats.

Since any purchaser of an 8mm camcorder cannot use the tapes on ½ inch VHS or Beta VCRs — and by the end of this year some 60m. VCRs of ½ inch format will be in use world-wide — the new format is unlikely to appeal to existing VCR owners.

Kodak's answer to this is that 8mm tapes can be transferred to ½ inch; but this will involve quality losses, and why should anyone have to bother to do that anyway?

In consequence, Kodak and Polaroid may be launching into a market from which most of the cream has been removed.

The biggest hope for Kodak and Polaroid is that 8mm will indeed become a new generation standard. They point, very reasonably, to the technical specification agreed by over 120 manufacturers to ensure that the next generation format is universal. But others have been quick to emphasise that a technical concordat is meaningless inthe face of contrary commercial reality.

That reality finds expression in the world domination of the VHS half-inch format — now over 70 per cent of all VCRs — with the Philips V2000 system now virtually beaten into submission and Sony struggling to keep Beta alive.

Apart from Kodak and Polaroid, only Philips have made any marketing commitments to 8 mm—General Electric announced plans but now have postponed the launch indefinitely, and Sanyo have shown an interest but no marketing plans. The bulk of the 8 mm concordat meanwhile puts its money and its faith in the VHS format, for which even Philips has become a recent convert.

The "next generation" promises of technical advance with 8 mm also look less than credible. If 8 mm cannot beat VHS on convenience and standardisation, its only hope must be in offering better picture quality—and perhaps price advantages.

But a smaller tape width actually poses bigger problems for the engineers, ameliorated only by a decision to use metal instead of oxide tapes as currently used on VCRs.

Improvements

On present evidence it is most unlikely that the first 8 mm arrivals will even be able to match VHS and Beta VCRs for quality—and the marketing delays already are due to quality problems in the metal tape and also the smaller video heads.

No doubt these technical difficulties will be resolved. But meanwhile JVC have stated that continuing improvements in the VHS format will eventually lead to a Super VHS—perhaps using metal tape and improved signal processing.

JVC do not believe tha a change of format is commercially or technically sensible unless a totally new broadcasting system is also introduced (eg high definition 1125 line TV or digital transmission).

The greater tape width of VHS allows more scope for improvements in picture quality and it is on this format that the next generation of technical advances is most likely to benefit the consumer.

In the meantime, it will be the marketing men that Kodak and Polaroid must depend upon if the gamble is to pay off. But on current evidence, they will have no price advantage over the rival VHS camcorder.

The UK's first VHS camcorder system is promised by Ferguson this autumn at "under £1,000, including VAT and an executive-type carrying case."

Kodak will be pushed to match this, and the consumer will still require an extra unit to allow the Kodak camcorder to play back through a TV set.

Biggest problem of all, however, is timing. JVC's VideoMovie is already available in Japan and public awareness of its benefits will be widespread before the first 8mm systems arrive—possibly in the U.S. this September.

The tide turns for the pirate tape market

More victories won in battle against pirates

By Raymond Snoddy

THE BATTLE against video pirates is being won and the major threat to the video industry brought gradually under control.

At one stage it was estimated that the pirates had a bigger slice of the business than the legitimate traders and that lost revenues may have totalled more than £100m a year.

Britain was very much the centre of a well-organised international trade in pirated tapes. Cinema projectionists were bribed for copies of the latest films and pirates were able to co-ordinate their release with the official one to take advantage of the publicity.

In the past year the tide has turned against the pirates. The Federation Against Copyright Theft (FACT), the all-industry investigating body set up to deal with the problem has had major successes against the organised criminals who were running duplicating factories turning out copies by the thousand of master tapes of new Hollywood releases not yet available to the legitimate video market.

In May, FACT claimed that no major feature film had been pirated from a UK film print since "Flashdance" in June 1983. The claim could be made because individual copies of films are now being marked so that a leak can be traced back to the source. Poorer quality copies are still coming in from abroad.

Seizures

FACT has seized illicit cassettes with a street value of well over £1m since it was launched in January 1983.

Senior industry figures believe that Britain is leading the rest of Europe in the battle against video piracy.

Warner Home Video, one of the leading video companies operating in the UK has recently carried out a survey among dealers to try to establish the impact of piracy.

Warner sales representatives questioned 156 dealers all over the country.

Eighty six per cent thought that piracy had declined over the previous year.

Seventy one per cent of the sample believed that piracy was now under 20 per cent in their area.

The success against the pirates has depended on several factors. One has been the well financed campaign against the pirates that FACT has been able to mount. The investigations have been directed by Mr Peter Duffy former commander of the Metropolitan Police anti-terrorist squad.

"It has been a detective story," Mr Duffy explained earlier this year, "involving searches in the night and chasing people across London."

But the investigations were given teeth by the Copyright (Amendment) Act which came into effect last July. The Act meant that a video dealer could be fined up to £1,000 for every pirate tape sold.

Offenders could also receive two months imprisonment at Magistrates Court or up to two years in a Crown Court. Until the Act became law, FACT had to take expensive civil proceedings to get meaningful penalties.

Local authority trading standards officers have also been increasingly active in keeping surveillance of local outlets which include garages and fish and chip shops as well as video shops.

FACT, less dramatically has ben engaging in an educational battle to convince the public that breach of copyright is just another form of theft.

The success of FACT so far has been in cracking down on large scale piracy. The organisation's efforts are now shifting to smaller scale counterfeiting —the copying of existing video releases often involving nothing more sophisticated than two video recorders.

It is this area of "back-to-back" copying which is causing dealers most concern. The copied tapes are often being sold from vans touring local neighbourhoods.

Because of its relatively small scale and localised nature, such illicit traffic will probably be harder to stamp out than well organised large scale piracy.

But FACT investigators have already made a start and there have been raids on those suspected of running mobile pirate video services. Little can be done about neighbours copying each others' hired video tapes.

The law on the subject is quite clear. The 1956 UK Copyright Act makes it illegal to copy most broadcast television or to make copies of pre-recorded cassettes even for home use.

Acceptance

No-one has ever been prosecuted for such an offence, however, and the law would clearly be unenforceable in this area. The video industry will probably have to accept this most innocent form of illicit copying and that there will probably an irreducible minimum level of piracy which will have to be tolerated.

What has been achieved already is showing up on balance sheets. Sir Derek Empson, a consultant to Thorn EMI Video Programmes said earlier this year that the successes in the battle against piracy had been one factor behind a 25 per cent increase in Thorn's video sales.

The pressure on the pirates is likely to continue. The European Commission is trying to win co-operation throughout the EEC to tackle the problem. The Commission believes piracy is underming the job creation prospects for the new industry.

In Britain, the British Videogram Association believes that employment in the industry probably around 20,000 could double if the pirates were defeated.

The EEC wants members states to bring their anti-pirate regulations into line and co-operate by exchanging intelligence on the activities of video pirates.

One new cloud on the horizon comes from cable television. The film channels for cable will bring into the home a wide range of films within a year of theatrical release.

Although films will be released on video cassette before they are shown on film channels such as TEN or Premiere a large number of films more recent than those appearing on broadcast television will be available for domestic copying.

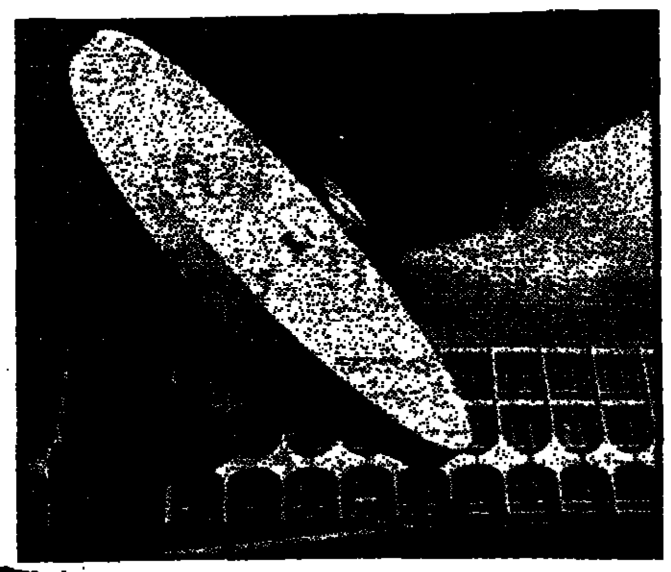
Mr Robert Birch, director general of FACT, said recently he looked forward to the advent of cable and direct broadcasting by satellite with some apprehension.

The Government has, however, moved quickly to protect some of the rights of cable and satellite operators. The Home Office has tabled an amendment to the Cable and Broadcasting Bill creating a new offence of dishonestly receiving cable and satellite television services with intent to avoid payment.

There will be fines of up to £2,000 for those who unscramble a scrambled signal. Civil litigation will also be possible against those who trade in or advertise the "black boxes," designed for illicit unscrambling.

● Civil action by the film industry led to the destruction of 30,000 pirate video tapes in Britain. Mr Percy Brown, investigation officer of the Motion Picture Exporters' Association of America supervises destruction of the haul

● Britain Prestel viewdata system has increased its facilities with a "mailbox" service which enables Prestel customers to send each other electronic messages. Shopping by Prestel has also become more popular—customers can use "response frames" to order goods and services. More than 40 companies now offer around 500 items



● The new satellite colour television system, MAC, invented by the Independent Broadcasting Authority's Engineering Centre at Crawley Court, Winchester, has been tested and demonstrated over the receiving dish aerial, above.

Colour television in the UK remains an engineering marvel, although many viewers take "the plain ordinary television" for granted. The modern TV set, with its remote control unit, its teletext, its four terrestrial networks planned on a nation-wide basis, links the viewer with the best-equipped colour TV studios and outside-broadcast units in Europe.

Key targets: quality and convenience

Broadcast TV technology: JOHN CHITTOCK looks at new advances.

TWO MAIN thrusts dominate the contemporary scene in broadcast TV technology—the quest for improvements in picture and sound quality, and progress in achieving better operational convenience in the equipment and systems.

There ought to be a third goal, but there isn't—reduction in the cost of these marvellous developments. Indeed, if an insidious problem forever haunts the engineers, it is that better pictures and more easily managed systems do *not* come cheaply.

There are five somewhat distinct areas of technology where this activity is focused: television studios, cameras, videotape recorders, post-production (eg editing) and transmission of programmes. A *sixth might be added*—the outside broadcast unit, but this combine some elements of the other five.

Although television studios are the very workshops of TV production, paradoxically the developments in studio design and ancillary equipment have been less dramatic than, for example, in videotape recorders.

Indeed, there is little scope for improvement as long as the floor is flat, the walls acoustically satisfactory, and the lighting flexible and adequate.

A modern television studio incorporates most of its technology in the overhead lighting grid and the sound system. With batteries of lighting equipment suspended from the ceiling, the modern studio is likely to have computerised control to automatically position the array of luminaires in any number of pre-arranged lighting plots—saving time between scene changes.

The sound installation in its most sophisticated form—as, for example, in London's recently opened Limehouse Studios—can electronically change the reverberation characteristics of the studio, which is an ideal facility for musical performances.

The studio does pose archi*tectural problems, which has* led to a few architects becoming specialists in studio design. Apart from understanding the unusual technical demands of the studio, the architect must work within very exacting parameters of design.

One leading studio architect —John Ware of The Ware Macgregor Partnership—sums up the TV studio as "a piece of environmental engineering rather than a palace of beauty" with "superlative standards in the cleanliness of air conditioning, freedom from noise and acoustic properties."

The major strides, however, have come in the equipment which goes in the studio—or on location with the unit. For example, cameras have become smaller and lighter, more sensitive, yielding pictures of higher resolution and better colour fidelity.

One residual problem in TV camera design, however, is so-called tube lage—the tendency for bright moving subjects to leave a momentary after-image if the background is dark.

A new camera recently developed by RCA in the U.S. overcomes this and other drawbacks by using charge coupled devices (CCDs) in place of the conventional camera tubes. Initial reactions of engineers to the RCA camera have been enthusiastic, but CCD cameras are not yet in routine service.

The lightweight Electronic *News Gathering camera has* been another important development, especially since combined with a built-in videotape recorder using small cassettes similar to the domestic Betamax and VHS video systems. But the broadcast ENG versions operate to different technical standards, yielding pictures of a quality that now makes it difficult to spot any difference when a news bulletin switches from the studio to location shots.

Ironically, the home video battle between Beta and VHS is repeated here—except that the market leader with ENG is Sony's so-called Betacam, not the VHS-based system of RCA's Hawkeye.

Studio video recorders have also undergone a revolution with the abandonment of the large and clumsy 2 in quadraplex format in favour of the smaller and now superlative 1 in system.

The method of recording is still, however, analogue—but digital recorders are now beginning to have a role, initially in post-production work where re-recording is necessary. Digital VTRs promise freedom from picture "noise" (viz degradation of rich tonal areas); noise *is a constant problem in* currently-used analogue systems, especially when recordings have to be re-transferred, as in editing.

It is the editing process in particular which now offers the most interesting scope for technical improvement. No matter *how convenient video recording* is compared to film—and technically more suited to electronic reproduction—the editing of videotape still presents a nightmare in comparison with film.

For all its apparent crudeness with sprocket holes, film can be physically handled and cut by an editor with ease—instantly. And an assembly of film shots can be swiftly changed anywhere in the sequence without much trouble. But with videotape, the editor relies on an expensive array of high technology to enable material to be viewed, slowed down, pin-pointed to the frame and reassembled in any desired combination of shots and shot lengths.

One of the latest developments aimed at minimising the operational disadvantages of video editing ironically attempts to make the process feel more like film editing. Demonstrated at the recent NAB exhibition in the U.S., Montage provides the tape editor with a linear array of TV monitors which display—effectively—successive frames on the videotape. If the tape is moved backwards or forwards, the frames seen on the line of monitors move likewise and allow a precise cutting point to be seen and quickly chosen.

Innovations

The story so far in this high-speed flick-through TV technology has necessarily passed over many important if less spectacular innovations—such as digital sound mixing, the computerised news room, even new kinds of videotape with metal instead of oxide coatings to yield better quality recordings.

The development which has recently hit the headlines, however, even in the national press despite the mysterique surrounding it for lay readers, is C-MAC. This is the transmission standard proposed by the IBA for satellite and DBS broadcasting. It is one of a number of variations on the transmission theme—all of which aim to give better quality pictures at the receiver end.

With the higher bandwidths available on DBS, the engineers obviously wish to utilise this new generation of TV broadcasting to bring to the viewer sharper pictures with higher resolution. It is also an opportunity to eliminate picture defects found in our current TV systems (e.g. flicker, and cross colour where a fine pattern on clothing can yield spurious colour effects).

There is, however, a dilemma. The introduction of totally new transmission methods such as C-MAC will mean that existing TV sets need adaptation to receive the pictures — and only totally new sets might benefit from all of the technical improvements. In consequence, alternative systems — notably enhanced and extended PAL — have been developed as compromise solutions.

The engineers are no more unanimous on this particular issue than the politicians. Some go further and offer instead genuine high definition television from satellites, which promises TV pictures comparable in quality to cinema films (indeed, cinemas could receive their movies by HDTV satellite transmission instead of by Securicor van).

The state of the art now is such that the engineers can achieve television picture quality to satisfy the most discriminating viewer — even the cinema buff. But two problems defeat *the engineers. Firstly cost: it all* comes, appropriately, at prices where the sky is indeed no longer the limit. And secondly, who can tell whether the public really wants it, anyway?

Reforms needed on copyright safeguards

BY THE end of this year about four out of every ten homes in Britain will possess a video recorder. Yet every time one of those VCRs is used to record a broadcast television programme, someone will technically be breaking the law.

By Jason Crisp

The Copyright Act 1956 makes it illegal to copy most broadcast television or radio or to make copies of pre-recorded cassettes even for private use in the home. Needless to say, nobody has been prosecuted for this offence and it is obviously unenforceable.

Technology advances have left copyright laws in most countries long behind. It is worth remembering that when the British Act was passed, the photocopier had only just been invented, audio taping was a very specialist activity and home video recording was a fantasy.

For over a decade various British governments have done little to bring the law up to date, even if they have acknowledged it was something which needed doing. As long ago as 1973 a committee was set up headed by Mr Justice Whitford to examine copyright law. It took the Whitford committee four years to report. It took the government another four years to produce a Green paper on the subject and then promptly called for "full discussion" on the subject.

Copyright is not an exciting subject and is easily put on the backburner by politicians. Nevertheless it has considerable commercial importance and this government's enthusiasm for high technology has led it to realise the urgent need for reform of copyright law. Nothing is likely to be introduced this year.

The home taping of broadcast television programming has caused a controversy around the world over the loss of copyright. On one side the copyright owners, such as the performers and the record and film industry have argued strongly that there should be a levy on blank tapes and on players to compensate the copyright owners for a loss of revenue.

On the other side the suppliers of VCRs and blank tapes (and audio equipment) together with the consumer groups have argued equally vociferously against such a levy.

Arguments

The battle between the two groups is having mixed results. Earlier this year the U.S. Supreme Court narrowly ruled that taping programmes at home did not violate federal copyright law. For over seven years the U.S. film industry had been arguing that the manufacturers should compensate them for every VCR and tape they sell—in effect a levy.

In Europe there appears to be a swing towards a general acceptance of a levy. The European Commission is expected to produce a green paper later this year which favours a levy.

A major report prepared by the International Federation of Phonogram and Videogram Producers for the EEC last year recommended a 5 per cent levy on the makers' or importers' price of equipment. It also suggested a levy of one European Currency Unit (ecu) per hour of audio tape (about 60p) and three ecu per hour of video tape (£1.80).

The report said: "The copyright industries of the member states make a significant contribution to the balance of payments. Their predominant role in world markets is being undermined by private copying; they are suffering from falling sales which in turn are leading to reductions in employment."

Not surprisingly, the IFPI report has been strongly attacked by the Tape Manufacturers Group, a body which was started in the UK but which is being extended to other countries within Europe. (The TMG's members include BASF, 3M, Maxell, Memorex, Sony and TDK.)

The TMG warned that if the IFPI proposals were ever accepted, it could double the price of blank videotape. It also claimed that the effect of imposing a levy on blank tapes in Sweden had been devastating.

Figures from the Swedish Association of Radio and Consumer Electronics Supplies show that sales of video-cassette tapes in the year ended November 1981, were 1.7m, and 4.1m in 1982—but a mere 410,000 in 1983 after the levy had been introduced.

The TMG says the levy resulted in widespread smuggling which flooded the country with cheap, poor quality tape, in addition to creating a vast market in second-hand tapes which can damage the VCRs.

The consumer groups are also strongly opposed to a levy. Consumers in the European Community Group (CECG), the British EEC consumer group, described proposals for a levy as "unfair and unworkable."

Despite the objections it is clear that the arguments of pro-levy lobby are beginning to hold sway in a number of countries. They argue that home taping of records and broadcast television programmes and films is cheating the performers and the industry of legitimate revenue.

Home taping

At the same time they acknowledge that it is impossible—not to say highly undesirable—to try to prevent people breaking the law by home taping. Therefore, a levy is a sensible and practicable compromise which would also legitimise home recording.

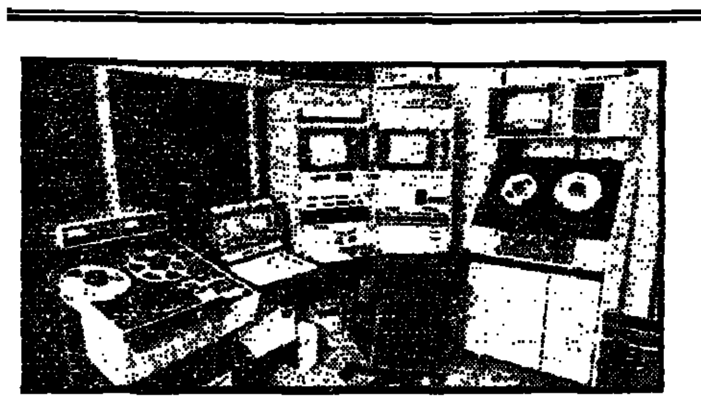
The Video Copyright Protection Society (VCPS) argued: "The regularisation of recording at home for private purposes would do much to clear the present confusion in the public mind as to what constitutes an infringement of copyright."

The VCPS, which represents broadcasters and film distributors, also said in a submission on the Government green paper: "The broadcasters (BBC and ITV) are strongly in favour of a levy on both video hardware and video software to compensate copyright-owners whose interests might be damaged if home recording were to be regularised."

A number of countries already have some form of a levy, including Sweden, Austria, Hungary and West Germany. Belgium, the U.S., Canada and Greece are also investigating the introduction of a levy, as well.

The British Government appeared to be strongly opposed to the idea of a levy when it first published the green paper. However, it seems to have moved some way towards the pro-levy position and is, at the very least, "neutral" on the matter.

The critical factor in many countries is that the copyright owners, such as writers, performers, film companies, distributors are national organisations. Most of the providers of the equipment are Japanese.



● ITV programme production: above, reel-to-reel video tape recorders which complete a major 2½-year re-equipment project at Thames TV's Euston Studios.
● Right: part of the videotape and telecine control area at Channel 4 where all the station's pre-recorded programmes and filmed material is eventually routed through to the transmitters of the Independent Broadcasting Authority.

HOW THE ITV COMPANIES SPEND THEIR INCOME (year to June 1983)	
Programmes	57p
Administration, etc.	15p
Depreciation on assets	4p
Rentals paid to the IBA	6p
Fourth channel subscription	12p
The levy (paid to the Government via the IBA)	2p
Corporation tax (paid to the Government)	2p
Profit, after tax, to provide reserves, new equipment and dividends to shareholders	2p
	£1.00p

ITV's income nearing £1bn

THE annual income of Britain's 16 ITV companies collectively was running at £877m for the year to May 1984, and is likely to reach £1bn by the end of the current financial year.

Around 97 per cent of the income comes from advertising sales and the remainder from other sources such as programme sales overseas and publications.

The Independent Broadcasting Authority fixes the maximum amount of time which the programme companies may devote to spot advertising. The IBA, which receives no income from licence fees or other public funds, obtains its income from rentals paid by the independent companies for the use of IBA transmitters.

The IBA collected a gross total of 20p out of each pound of the ITV companies' income in 1982-83.

Around 46 per cent of the IBA's (£57m in 1982-83) expenditure was for station construction and technical development; 44 per cent for transmitter operation and maintenance and 10 per cent for programme and advertising control.

ITV PROGRAMMES

Weekly transmission hours of the average ITV area company:

	—1980-81—		—1981-82—		—1982-83—	
	hrs.m.	%	hrs.m.	%	hrs.m.	%
News and news magazines	10.56	10½	11.07	11	11.35	11
Current affairs and general factual, arts ...	13.47	12¾	13.34	13¼	13.47	13¼
Religion	2.27	2½	2.20	2¼	2.13	2¼
Adult education	2.54	2¾	2.16	2¼	1.48	1¾
School programmes	6.11	6½	6.40	6½	6.41	6½
Pre-school education	1.29	1½	1.33	1½	1.52	1¾
Children's informative ...	2.22	2½	2.34	2½	3.14	3
"INFORMATIVE"	40.06	38	40.04	39¼	41.10	39¾
Plays, drama, TV movies	24.45	24¾	22.10	21¾	21.28	20½
Feature films	7.23	8½	8.06	8	9.17	9
"NARRATIVE"	32.08	33	30.16	29¾	30.45	29½
Children's drama and entertainment	7.45	7½	7.56	7¾	6.58	6¾
Entertainment and music	13.43	13¼	14.08	14	13.21	13
"ENTERTAINMENT"	21.28	20½	22.04	21¾	20.19	19¾
"SPORT"	10.07	8¾	9.31	9¼	11.31	11
TOTAL ALL PROGRAMMES	104.00	100	102.02	100	103.52	100

Source: IBA.

Tough times for the BBC

By Raymond Snoddy

"THE SQUALL," a senior BBC executive admits, "was unexpectedly severe and hadn't shown up on the radar."

He was referring to the autumn season which had seen relatively poor ratings terms for the BBC, with the Corporation routinely trailing behind the combined forces of Independent Television and Channel 4.

In some weeks the share of the total audience fell as low as 42 per cent.

When it did achieve ratings success with innocuous melodramas, such as The Thorn Birds, BBC Television was accused of being "too populist." Ministers hinted darkly that such things might be remembered, come licence negotiation time.

There were artificial comparisons with Granada's Jewel in the Crown.

Right-wing Conservative back benchers talked of dismembering the BBC, of curbing its over-weaning ambition or at least forcing it to take advertisements on Radio 1.

More fundamentally, the ITV system was increasingly outspending the BBC. BBC Television this year will have around £500m to spend on its two television channels. It looked for a time as if ITV revenues might reach £1bn—although that figure has now been scaled down.

Pressure on revenue was also increasing because of the *growing sophistication and cost* of broadcasting technology.

Underlying it all was the threat from cable television as the Government went ahead with plans for multi-channel interactive cable.

If the present scarcity of airwaves was replaced with previously undreamed-of-choice, and the television audience fragmented, what justification would there be for the continuation of the universal licence fee monopoly?

To cap it all, the BBC's stake in the new technology through direct broadcasting by satellite (DBS) seemed to be going badly. It looked as if the project might be too financially risky for the BBC to go ahead with it.

Shaky base

DBS seemed a shaky base from which to enter negotiations for a new three-year licence fee to run from next April, with a Government suspicious of the "public sector."

For a time, confidence in some sections of the Corporation seemed to be affected and there were discussions on what the future role should be of one of the world's leading broadcasting institutions.

Many of the longer-term problems have not (and will not) go away, but there are clear signs that the BBC is recovering *its* nerve and *is* showing both a surer political touch and an awareness of the need for change.

In recent months, Mr Aubrey Singer, the managing director of BBC Television retired early and was replaced by Mr Bill Cotton who has a successful track record in entertainment. He, in turn, has persuaded Mr Michael Grade, the former whizz kid of London Weekend TV, to return from Los Angeles to be controller of BBC 1.

It is widely believed that the combination will lead to sharper competition with the independent sector for audience figures.

Mr Brian Wenham, BBC Television's director of programmes, has consistently argued that "reach" (the numbers who watch in any week) and audience appreciation are more important than audience share. The fall in the ratings, he believes, is more to *do with the arrival of Channel 4* than lack of appreciation for BBC programmes.

The immediate threat from cable to the established broadcasting organisation now seems much less than only a few months ago.

The BBC has also managed to divest itself of 50 per cent of the financial risk of DBS while still keeping control of the joint project which will include ITV companies and non-broadcasting interests.

The key to the BBC's future health now lies with the licence fee negotiations. The Corporation will be looking for a fee well in excess of £60 (compared with the present £46). The outcome will determine its ability to compete with *ITV* across the whole range of programming as it has aggressively done until now.

The BBC argues that it needs a licence fee increase well in advance of inflation because *many of its costs—such* as bidding for artists against ITV companies—bears little relation to the retail price index.

The Corporation says it will not be finalising its licence fee claim until the autumn. In *financial year* 1982-83, the licence fee income was around £700m.

The BBC would appear to have the right man for the times in Mr Stuart Young, the first accountant to become chairman of the BBC.

Earlier this year, Mr Young talked to journalists about his first impressions as a BBC Governor.

"When I first joined the BBC I thought I might find the BBC was profligate with the use of our money. I soon learned otherwise. The budgeting for programmes is as tight as any in the world," Mr Young said.

He added that visiting Japanese and German broadcasters have acknowledged "that in this case, at least, Britain is very competitive."

This year, so the litany goes, the BBC will produce 9,000 hours of television and 146,000 hours of radio for 12.5p a day for each licence-payer.

The BBC is also likely to win a sympathetic hearing from Mr Leon Brittan, the Home Secretary.

He is very much a "dry" in economic terms and will insist on the public receiving value-for-money on the licence fee, but he is very conscious of the benefits of the public service broadcasting tradition.

Speaking in the context of the competition from cable, Mr Brittan said recently: "We must protect public service standards in existing terrestial broadcasting. They are of great value and something we see going at our peril."

Mr Brittan is also a supporter of the licence fee system which the BBC believes is the cornerstone of its independence.

While acknowledging that the system appeared "odd," Mr Brittan said: "I have so far not been persuaded that any of the alternatives that exist is to be preferred."

Certainly, as the licence fee negotiations loom, Mr Alasdair Milne, director general of the BBC, is in a trenchant mood on all aspects of the Corporation's role. In a speech on public service broadcasting to the European Broadcasting Union in Stockholm at the end of last month, he admitted that the rapid introduction of satellite and cable broadcasting was "without doubt the greatest test that public service broadcasting in Europe is undergoing since its beginning."

No retreat

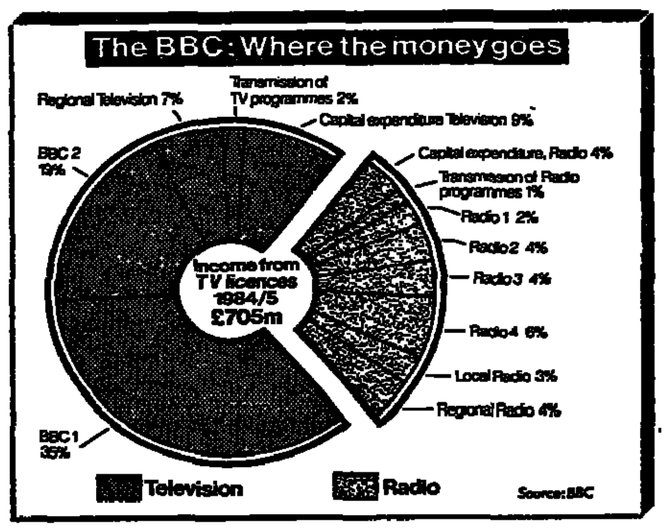
But he warned that the BBC would not hand over, in either radio or television, the popular *areas of broadcasting to either* old or new commercial competitors, nor retreat towards minority broadcasting which was fundamentally uncommercial.

If that was to happen, the *licence fee would come* under intolerable political pressure and the Corporation would decline into insignificance and impotance.

Mr Milne told the EBU: "We believe public service broad*casting must make the popular* worth while and the worth while popular. We reject the notion that the popular is constant and that we have, as public service broadcasters, any right to hand it over to men whose primary aim is to make money. Here we stand, we can do no other."

Leaving aside the echoes of Martin Luther from the Scottish director general, it would be foolish to believe that the BBC is not capable of renewing itself in the face of technological change and increased competition.

All the indications at the moment are that the BBC will probably have time to adapt itself to changing circumstances.



TV licence fees in Europe

Country	Monochrome TV		Colour TV	
Austria*	AS 1752	£61.97	AS 1752	£61.97
Belgium*	BFr 2688	£33.37	BFr 4200	£52.14
Denmark	DKr 640	£44.29	DKr 1080	£74.74
Finland*	FM 240/330	£28.10/ £38.64	FM 460/590	£53.86/ £69.09
France*	FFr 311	£25.72	FFr 471	£38.96
Germany*	DM 150	£37.31	DM 150	£37.31
Ireland*	I£34	£26.77	I£52	£40.94
Italy*	L42,680	£17.92	L78,910	£33.13
Netherlands*	Fl 153	£34.08	Fl 153	£34.08
Norway*	NKr 560	£50.00	NKr 725	£64.73
Sweden	SKr 548	£46.56	SKr 708	£60.15
Switzerland*	SwFr 174	£53.54	SwFr 174	£53.54
UK	£15.00	£15.00	£46.00	£46.00

Fee for radio only: In Belgium, BFr 708 (£8.79); in Denmark, DKr 154 (£10.66); Netherlands, Fl 45 (£10.02); and Switzerland, SwFr 87 (£26.77). Currencies converted at bank selling rate, July 1983. Source: BBC.

* Advertising is carried on at least one of the services supported by the licence fee.

Conflict over need for overall policy

By Raymond Snoddy

EARLIER this summer, senior civil servants, broadcasting and telecommunications executives attended a private meeting to consider whether Britain had a coherent communications policy or not and whether a common approach to all the communica*tion technologies was needed.*

The meeting in Nuffield Lodge in London's Regents Park was called by Mr John Howkins, executive director of the London-based International Institute of Communications, a research body with members in 80 countries.

Under the chairmanship of Sir Monty Finneston, it was designed to bring together the people who, whether they fully realise it or not, help to shape the communications industry in the UK. There were senior civil servants from the Home Office, the Department of Trade and Industry, the Cabinet Office and the Policy unit at 10 Downing Street.

The broadcasters included Mr Brian Tesler, *chairman* of London Weekend Television; Mr Bill Cotton, managing director of BBC Television; and Mr John Whitney, director general of the Independent Broadcasting Authority.

Telecommunications was represented by Mr Donald Wray, assistant managing director of British Telecom's broadband services, and Mr Stuart Bailey, marketing director of Mercury Communications.

The consideration of the impact of converging technologies and services in the whole communications sector was inconclusive. But one valuable point about the *fragmentation of* British policy-making in the area was suggested.

Mr Bill Cotton, managing director, BBC Television

John Howkins believes it was probably the first time that all those attending had even sat down together in one room to consider the issue.

"The British Government doesn't have a communications policy—very few governments do," says Mr Howkins. The Japanese, French and Canadians, he believes are, how*ever, well advanced in realising* that all forms of communication are related and should be treated as such. In particular, the cultural and industrial aspects of communications must be linked.

Until the British Government accepts the case for more coherent policy making in communications, Mr Howkins believes, "we will continue to make mistakes and we will miss the opportunities both for programme production and for distribution."

Mr Howkins argues it does not matter which government body or committee is given the task of overseeing communications policy, "but it's got to be permanent, it's got to be central and its got to be high-level."

Whatever the case for an overall communications policy, there are signs that the rapid changes in technology in broadcasting and in the audio visual industries are causing strains *in Government policy*-making which is split between the regulatory role of the Home Office and the industrial and export hopes of the Department of Trade and Industry.

Both the Government's ambitions, and how it sees its role, is clear and was spelled out forceably again recently by Mr Leon Brittan, the Home Secretary.

"In the change in technology, one sees both the opportunities for enlarged consumer choice and the opportunity for technologically-based industries to develop and for individual creative talent to express itself," Mr Brittan told broadcasting journalists.

The *Government's role* is merely to remove obstacles to enable opportunities to be taken "while, at the same time, recognising the obligation to sustain the existing tradition of public service broadcasting, may

There are growing signs that to create a new communications infrastructure for Britain, funded entirely by the private sector and paid for largely by entertainment while protecting publi cservice broadcasting, may prove difficult.

Critics have raised questions about Government policy across the entire audio-visual sector.

The trade magazine, *Marketing Week* recently expressed the view bluntly: "Its policy on broadcasting has become so bogged down in compromise, hypocrisy and half-baked ideas that it is difficult to discern any policy at all." That is perhaps an extreme view, but there is controversy over:

Mr Leon Brittan, Home Secretary: *stoutly defends Government policy*

● Cable Television: The Government rushed through a process of choosing 11 pilot operators to begin multi-channel cable in the UK. They were announced in November and still do not have the licences many need to get going.

The Budget proposal to phase-out capital allowances will also make it more difficult to cable Britain—a highly capital-intensive project. The only major Government concession has been to extend initial cable licences from 12-15 years.

● Direct Broadcasting by Satellite (DBS): The Government has put together a compromise joint venture, but one that is some distance from its original concept of competition in space.

Critics argue that despite the third share of the project which will be open to non-broadcasters, the DBS project will perpetuate the existing dominance of the BBC and ITV companies. If it is successful it might also, at least in the early years, be a powerful competitor to cable.

● Video: The video industry believes that the Video Recordings Bill, a private members' bill, given Government time, could seriously damage the video industry. The industry *believes that a literal interpre*tation by the courts would prevent not just the sale of "video nasties," but up to half the industry's present stock in trade and greatly increase censorship.

● *Film industry:* The withdrawal of capital allowances, the industry believes, will make it more difficult for the medium-size British picture to be financed. This is the very area where the UK has been winning a growing international reputation.

● Radio: Mr Norman Tebbit, Industry Secretary, is enthusiastic about an early start to what he calls neighbourhood radio. There is serious concern in local commercial radio that new competition may be unleashed for limited advertising revenue before the existing Independent Local Radio network is complete and while its finances are perilously balanced.

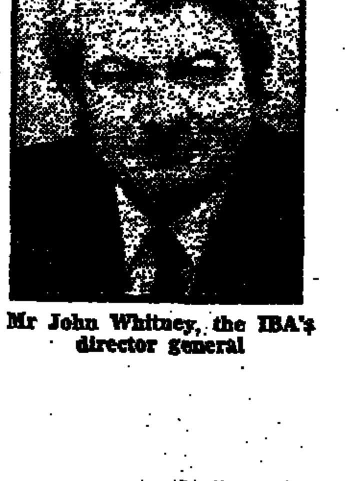
Mr Brittan, however, gave a stout defence of Government policy and the Government structure within which decisions are taken. He dismissed calls for a new Annan committee to look at the whole area and rejected suggestions that broadcasting and the new media of communication should come under the responsibility of a new communications ministry.

"To divorce those aspects of the communication industry from the broader economic, commercial and industrial consideration, which a big department like DTI can give, would mean that the world of communication would be the loser and not the gainer," Mr Brittan said.

Broadcasters generally welcomed the role the Home Office played in broadcasting policy. He cited the DBS decision as an example of the present system working well.

"There was no difficulty at all in Norman Tebbit and I communicating as often as necessary and working out a common policy," Mr Brittan said.

The Home Secretary warned that the speed of technological change provided great opportunities and great risks and that all the risks could not be stopped off in advance without limiting the possibilities.



Mr John Whitney, the IBA's director general

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday July 18 1984

Honeywell profits soar as computers pick up

BY PAUL TAYLOR IN NEW YORK

HONEYWELL, the U.S. data processing and control systems group, yesterday reported a 26.6 per cent jump in its quarterly earnings, mainly reflecting a strong rebound in its computer manufacturing business, particularly in the U.S.

Honeywell's sparkling second-quarter earnings follow similar gains at IBM, Burroughs and NCR, all major U.S. manufacturers of large mainframe computers.

In contrast, however, Sperry, another member of the "bunch" computer companies yesterday reported lower fiscal first-quarter earnings – as expected – following its previously announced decision to write down its investment in Trilogy, the West Coast high-technology group.

Honeywell, which is based in Minneapolis, said its second-quarter profits grew to $74.3m or $1.59 a share compared with $58.7m or $1.29 a share in the corresponding period last year on revenues 6.6 per cent higher at $1.49bn from $1.39bn.

For the first half, Honeywell reported net earnings of $113.9m or $2.43 a share on revenues of $2.88bn compared to net earnings of $80.9m or $1.78 a share on revenues of $2.72bn in the corresponding period last year.

Mr Edson Spencer, Honeywell chairman and chief executive, said the company had continued to benefit from the growth in the U.S. economy, with domestic results sharply higher over the 1983 period. International results, however, declined from last year.

"Operating profit for both the quarter and the first half improved sharply over year earlier levels," he said. "Orders and revenue were also up significantly in the U.S."

The company highlighted progress in its information systems business which Mr Spencer said was "making excellent progress" and in its aerospace and defence business where operating profits improved significantly in the latest quarter. This offset level profits in the control systems and control products divisions and losses at Synertek, the company's semiconductor subsidiary.

Sperry, which earlier this week warned of lower second-quarter profits because of a substantial writedown of its investment in Trilogy, reported fiscal first-quarter net earnings of $20.1m or 37 cents a share on revenues of $1.19bn compared to net earnings from continuing operations of $21.6m or 46 cents a share in the corresponding quarter last year when a $3m gain from discontinued operations made final net earnings of $24.6m or 52 cents a share on revenues of $1.12bn.

The company said its decision to write down its $40m investment in Trilogy to $9.69m reduced net income in the latest quarter by $21.8m or 40 cents a share.

Sperry is one of a number of major investors in Trilogy which last month announced that it was abandoning plans to build a new large-scale computer using advanced experimental chip technology.

U.S. drug groups set for record results

By Terry Byland in New York

MERCK and Eli Lilly, two of the leaders of the U.S. pharmaceuticals industry, are well on the way to establishing profit records for the current year after strong second-quarter performances.

Merck, whose stock is a constituent of the Dow Jones industrial average, has turned in a gain of 6.5 per cent to $131.4m or $1.78 a share in net earnings for the second quarter, reflecting an increase in sales from $821.9m to $891.3m.

For the six months, Merck's earnings are $256.5m or $3.47 against $237m or $3.21. Sales show only a modest increase from $1.6bn to $1.7bn. Stock in Merck has fallen sharply in New York over the past fortnight, after analysts warned investors that the company would soon meet strong competition for Aldomet, its blood pressure drug, the patent on which expires in September.

Lilly, which is strong in antibiotics and anti-arthritis drugs, pushed net earnings ahead from $101.9m or $1.38 a share to $114m or $1.56 for the three month period, but sales dipped from $740.6m to $723.9m.

RCA income jumps 75% to new quarterly high

BY OUR NEW YORK STAFF

RCA, the diversified U.S. electronic equipment, broadcasting and entertainment group, yesterday posted a 75 per cent increase in second-quarter net income reflecting improvements in all the company's major business segments.

The group said net earnings increased to $109.9m or $1.13 a share on revenues of $2.48bn in the latest quarter compared to $62.6m or 56 cents a share on revenues of $2.2bn in the corresponding period last year.

The second-quarter net earnings boosted first half net income to $160.2m or $1.53 a share on revenues of $4.85bn – despite a first quarter $175m pre-tax ($94.5m or $1.15 a share) special provision following the company's decision to end videodisc player manufacturing.

In the 1983 first half RCA reported net earnings of $91.6m or 70 cents a share on sales of $4.23bn.

The sharp improvement in RCA's earnings underscores the group's strategy to refocus its business and concentrate on expanding its profitable operations.

Mr Thornton Bradshaw, chairman, said that the latest period was the most profitable quarter in the company's history.

"After the hard work of the last three years we find these results highly satisfying," he said. "Our recommitment to the company's traditional businesses of electronics, communications and entertainment is proving to be the correct strategy. We are proud of these record level results and confident we will do even better in the years ahead."

Mr Bradshaw also noted that all of RCA's reporting segments reported second-quarter sales and earnings gains, with both the electronics and NBC broacasting units setting new records.

RCA's strong performance in the electronics segment was led by the consumer electronics, solid state and government systems divisions. The broadcasting unit's performance reflected further gains for NBC

Hertz, RCA's rental car agency also managed to post a healthy 33 per cent pre-tax gain in earnings

Recovery continues in forest products

By Our Financial Staff

THREE of North America's leading forest products companies, Abitibi-Price, Boise Cascade and Georgia-Pacific have reported sharply higher second-quarter profits as the economic recovery continues to rebuild demand for their products.

Toronto-based Abitibi-Price, the world's largest newsprint producer, lifted operating net profits from C$11.9m (U.S.$8.9m) or 47 cents a share to C$23m or C$1.02 a share, on sales up sharply from C$447.8m to C$586.6m.

The latest period excludes a C$2.35m loss on the sale of a paper mill, making final net C$20.7m, or 91 cents a share.

Operating net earnings for the first six months jumped from C$14m or 46 cents to C$33.4m or C$1.42 (in the first quarter of 1983 there was a per share loss after preferred dividends). Sales in the latest six months advanced from C$835.1m to C$1.06bn.

The company, controlled by Olympia & York Developments, the Reichmann family holding company, attributed the latest earnings rise to stronger pulp and paper markets, particularly that for newsprint, and the rise in the U.S. dollar.

Boise Cascade, based in Boise, Idaho, boosted second-quarter net earnings from $17m or 54 cents a share to $33.5m or $1.16, on sales up from $869.5m to $998.7m.

This took six-month net earnings to $61.4m or $2.11 a share against $28.1m or 89 cents. Sales rose from $1.64bn to $1.95bn.

Georgia-Pacific, the largest U.S. producer of softwood plywood which also has major interests in chemicals and gypsum, raised second-quarter net profits from $56m or 52 cents a share to $84m or 78 cents, on sales up from $1.69bn to $1.82bn.

Six-months net earnings were $135m or $1.25 a share.

Amex slips 29% as SEC probe begins

BY OUR NEW YORK STAFF

AMERICAN EXPRESS, the U.S. financial services group, has reported a 28.8 per cent decline in its second-quarter net income. At the same time it has disclosed that the Securities and Exchange Commission is investigating previously reported financial results at its Fireman's Fund insurance subsidiary.

The SEC inquiry centres on certain reinsurance transactions and insurance reserve levels at Fireman's Fund in 1978 and subsequent years. Amex said it was continuing to co-operate with the SEC inquiry but maintained that its Fireman's Fund unit adhered to "generally accepted accounting principles" in the U.S. insurance industry.

Amex's second-quarter earnings fell to $138,7m or 64 cents a share from $194m or 96 cents. Revenues increased by 28 per cent to $3.15bn from $2.46bn. Nevertheless the results represent a sustained improvement over the 1983 final quarter. The group then reported a $22m loss, mainly because of problems at Fireman's Fund.

The group said that Fireman's Fund managed to remain in the black, posting earnings of $8.3m in the latest quarter compared with $10m in the first quarter and $62m a year ago. It lost $147m after a $330m special addition to reserves in the 1983 final quarter.

The latest results boosted Amex's first-half earnings to $254.9m or $1.18 a share on revenues of $6.05bn, compared with $356.4m or $1.76 a share on revenues of $4.75bn in the 1983 first half.

Amex said its travel segment boosted its net income by 27 per cent to $105m, against $82m in the same period last year. The company said all lines of business contributed to the growth with the number of cards in circulation increasing by 16 per cent to 18.8m.

Weirton Steel closer to long term viability

By Our New York Staff

WEIRTON STEEL, the employee-owned steelmaking company hived off last year by National Steel, has registered its second profitable quarter in its new independent status.

In the three months to June, the company reported net income of $22.8m, more than doubling first-quarter earnings of $9.7m. Sales jumped from $283m to $306m, while steel deliveries were also up from 573,000 tons to 611,000.

Mr Robert Loughhead, president and chief executive, said the results indicated the company had taken a major step towards its goal of establishing long-term viability.

Even so, Mr Loughhead insisted that the results were considerably below the plant's potential, and that it needed to realise better profit margins to support its capital improvements. Imports were also continuing to have a disrupting impact on prices, he added.

Eléctricité de France to back industrial development agency

BY PAUL BETTS IN PARIS

ELÉCTRICITÉ de France (EdF), the French state electricity utility, is to acquire a 10 per cent stake in France's Industrial Development Institute (IDI), the state-controlled agency set up in 1970 to take shareholdings in promising small and medium businesses in need of capital.

The move is designed to encourage the development of a stronger French electrical equipment industry at the same time as injecting fresh funds into IDI, which has suffered losses largely as a result of its majority shareholdings in some French industrial lame ducks, including the troubled Boussac Saint Frères textile group.

The operation also both marks a further step in the Government's efforts to involve EdF more directly with the country's industrial sector and in IDI's current investment policy.

EdF will take part in a forthcoming increase of IDI's capital, which totals at present FFr 1bn ($115m). This operation will enable EdF to buy a stake of about 10 per cent in IDI.

IDI has been seeking a capital increase of about FFr 200m, but the Government so far has not consented to the increase. As a result IDI has been selling or seeking to sell a number of its corporate stakes to raise fresh funds.

IDI recently sold its majority stake in Braud, a French agricultural equipment concern, to the Italian Fiat group and its stake in the Minelli shoe concern to the French group Andre.

The agency has also been switching its investment strategy back to its original business of participating in the development of medium sized enterprises. It recently forged a partnership in a joint venture capital fund with the French state Suez banking group.

These measures and the imminent participation of EdF in its share capital are expected to help the agency – which is 49.95 per cent controlled by the government and the rest by state financial institutions – to return to profit. IDI is expected to show a deficit of about FFr 90m for 1983.

The deal with IDI follows the French Government's decision last July to ask EdF to help in the development of a French electrical equipment industry. The decision coincided with the Government announcement of a slowdown in the French nuclear programme.

Chemicals add to growth at Goodrich

By William Hall in New York

B.F. GOODRICH, the U.S. tyre company, has reported a five-fold increase in its second quarter net income to $32.4m on the back of sharply higher profits from its chemicals business.

Mr John D. Ong, the group's chairman, says that "for the past several years we have been taking steps to build our two chemical segments and focus on value added products and speciality markets. More than half of our earnings now come from these chemical segments, and we expect their contributions to increase year by year."

Goodrich's pvc and intermediaries operations boosted their operating profits from $2.4m to $28.2m, and the special chemicals business boosted its operating income from $16.4m to $23m.

Operating income from the tyres and related product operations, which are still the biggest single part of Goodrich's business, rose from $19.7m to $28.5m.

Banco Popular quits Rumasa share-out

By David White in Madrid

BANCO POPULAR, smallest of Spain's big seven banks, has opted out of the carve-up of the Rumasa group's banking interests by paying Banco de Bilbao Pta 175m ($1.1m) to take over its share.

The agreement between the two banks comes less than a week after an eight-sided pact, including Banco Popular, on the future ownership of 17 Rumasa banks which were nationalised under a government expropriation decree in February last year.

Banco Popular still has to subscribe its share of the Pta 440bn worth of low interest bonds which the Government is raising from the banks in order to clean up the accounts of the reprivatised Rumasa banking sector.

GTE boosts earnings and remains optimistic

BY OUR FINANCIAL STAFF

GTE, the Connecticut-based company which owns one of the largest non-Bell telephone systems in the U.S., boosted second-quarter net earnings from $230.7m or $1.22 a share to $273.1m or $1.36, and continues to be optimistic about the rest of the year.

Sales in the latest quarter jumped from $3.13bn to $3.62bn, and earnings for the first six months were up sharply at $529.9m or $2.66 a share against $450.7m or $2.39, on sales up from $6.09bn to $7.07bn.

Telephone revenues for the second quarter rose 10 per cent to $2.3bn, while telephone net income increased 4 per cent to $266m. Revenues in the latest quarter included the effect of rate increases awarded since the second quarter of 1983.

Communications services revenues were up from $59m last year to $317m, reflecting the acquisition of the Sprint long distance telephone service in June 1983.

The division's net income, up from $376,000 in the 1983 quarter to $11m, was down from the first quarter because of the costs of expanding Sprint's capacity and higher access charges.

Sales of communications products slipped from $657m a year ago to $616m, producing halved net income of $7m. In contrast, sales of electrical products rose 30 per cent to $488m, boosting net income by 69 per cent to $25m. The gain reflects increased demand for domestic lighting and precision materials

FMC growth accelerates

By Our Financial Staff

FMC, the U.S. machinery and chemicals group, has reported a further acceleration in earnings for the second quarter.

Second-quarter net income jumped by 66 per cent to $64.6m or $1.91 a share from $38.9m or $1.17. At $939.8m, sales gained 7 per cent.

After a strong first quarter, the Chicago-based company shows a gain of 52 per cent to $107.1m or $3.17 a share in net earnings for the first six months, with sales at $1.9bn, against $1.7bn. Midyear 1983 earnings were $70.4 or $2.11.

INTL. COMPANIES & FINANCE

Michael Thompson-Noel on an Australian group's plans to diversify

A lean CSR hungers for takeovers

"WANTED: Leading Australian conglomerate seeks major new business not related to existing activities (ie, sugar, building materials, minerals and resources). High profitability and good growth prospects essential. Could be onshore or off, an acquisition or a greenfields venture. Will pay top dollar for right opportunity. All approaches treated speedily and in confidence."

Such an advertisement has yet to appear. But the word is out — CSR, the Australian major, is anxious to diversify. The aim: to lessen its dependence on natural resources and those of its returns subject to commodity price fluctuations.

It is not sure what it is looking for, but it has sketched out the criteria. Mr Bryan Kelman, CSR's shrewd and bespectacled general manager, says the new venture must offer good profits and strong growth, and be based on CSR's existing skills and expertise.

It must be free of cyclical ups and downs, not labour intensive and not prey to exchange rate fluctuations. Mr Kelman rules out the entertainments business (and includes the media under this label) but would be interested in brewing ("Not Castlemaine Tooheys") or financial services.

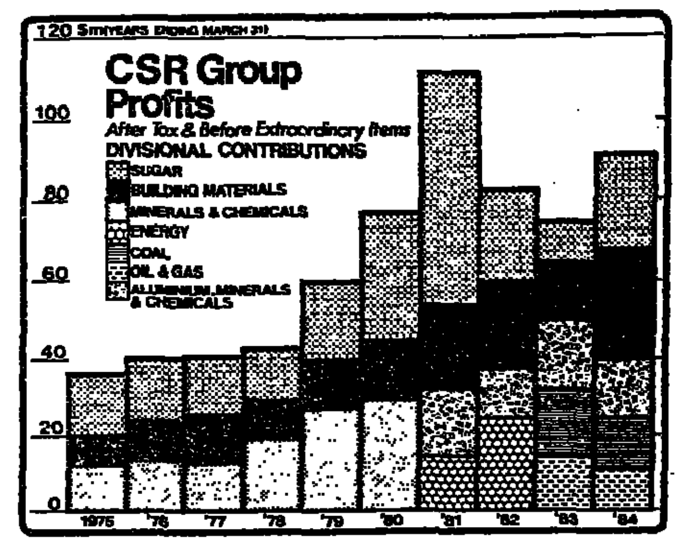
Whether it is onshore or off, an acquisition or something brand new, does not appear to matter—but it has to be large. According to Mr W. George Devrell, the group's treasurer, large means "bigger than A$200m." "We don't do small things well," says Mr Kelman, "it has to be on a decent scale."

CSR can afford to talk expansively. In the year to March 31, operating profit before tax was up 37.7 per cent to A$160.4m (U.S.$136.6m), and net profit rose 22.8 per cent to A$91.7m, on gross revenues of A$2.7bn (plus 7.9 per cent).

Shareholders' funds stood at A$1.4bn, and total assets at A$3bn, for net tangible assets per share of A$4.19 against A$4.08 previously.

Moreover, in its last financial year, long-term liabilities were cut by 12.9 per cent, to A$494.4m (a gearing of 25 per cent, against 28.9 per cent), and capital expenditure was reduced by almost a third, to A$246.7m.

It is lean in the past two years staff levels have fallen by 1,700 to 14,300. It is fit and more market-orientated—the 1983-84 net profit was the second best recorded, and reversed quite significant falls in the previous two years. And it is hungry.



Graham Lever

"A return of 6½ per cent on shareholders funds is far from satisfactory. We plan to get this up to 10 per cent as soon as possible but it won't happen this year, says Mr Kelman.

CSR is too commodity-dependent. In 1983-84, two of its three biggest net profit contributors were sugar (A$25.7m, against A$11.5m previously, for a divisional return on shareholders' funds of 10.1 per cent), and aluminium, minerals, and chemicals (A$15.3m, against A$17m; 10.1 per cent). Its biggest money-spinner was building materials (A$27.3m, against A$12.9m; 11.1 per cent).

In its other two divisions net profits fell last year—coal from A$16.8m to A$11.9m (a return on funds of just 2.5 per cent), and oil and gas to A$11.5m from A$16.5m, a return of 4.1 per cent.

Mr Kelman says that CSR is still confident about longer-term prospects for steaming coal and aluminium, but sees slower growth prospects for a number of its commodity businesses, including sugar, coking coal, and iron ore.

This is because of slower world growth, particularly in the heavy or smoke stack industries for which Australia supplies raw materials.

Founded as a sugar refiner in 1855, CSR has made a latter-day foray into resources via the purchase of Delhi Petroleum. Yet the expense of its oil and gas involvement and the low returns so far underline the second factor influencing the company's search for a new business—injured pride.

For although the company was listed 155th by sales on Fortune's 1983 list of top industrial groups outside the U.S., it has slipped from fourth or fifth to about eighth in terms of market capitalisation on the Australian stock exchanges.

Of the company's equity more than 20 per cent is foreign owned—most of it is in the UK, with a stake of almost 3 per cent held by Japan's Toyota Motor Corporation.

CSR says its ability in the year just gone to reverse the trend of falling profits and increase all key ratios was achieved partly through an increase in the price of raw sugar, but mainly through:

- Improved results from building materials through rationalisation and cost-cutting—not through market forces;
- Solid marketing efforts in bauxite, alumina and aluminium, and coal;
- Reductions in operating and overhead costs;
- Curbing capital expenditure, and
- Divesting surplus, non-strategic or non-profitable assets in order to reduce debt and cut interest charges.

The incentive for reductions in costs is important. On total operating costs of about A$1.5bn, a saving of 1 per cent represents an extra A$15m in pre-tax income. Apart from reducing staff numbers, CSR has cut overheads and slimmed down its management structures. In building materials, for example, headquarters staff has been reduced from 180 to five and the product groups now report directly to a member of general management.

Proceeds from divestment in 1983-84 totalled A$126m, and may realise a further A$40m in 1984-85. Assets sold last year included the Sydney head office, the clay tiles business, two New South Wales sheep properties and a quarry in Singapore.

Total capital expenditure in 1983-84 was A$247m, down from A$350m. Expenditure was concentrated on completion of major projects already in hand.

In the current year, capital expenditure is expected to be about A$250m.

Overall, net interest charges fell from A$67m in 1982-83 to A$58m in 1983-84, and long-term interest cover rose from 2.6 to 3.4. Maturing debt of A$132m is due for repayment in the current year and the opportunity will be taken further to reduce long-term borrowing where feasible.

Of the major divisions, Mr Kelman says CSR accepts that sugar is cyclical. "It's been that way for 125 years." Building materials has been slimmed to four main product groups and should benefit further from the pick-up in construction activity in Australia.

In oil and gas, the net profit was A$11.5m in 1983-84, A$5m down—attributed to a loss at Richter Drilling Group and the inclusion in the profit last year of a once-off tax benefit of A$10m.

Dividends declared by Delhi Petroleum from its earnings on Cooper Basin natural gas sales rose by A$2.2m to A$18.4m, while profit improved from crude oil production in Indonesia, and from natural gas production and gas pipeline operations in south-east Queensland.

Indeed, exploration and appraisal drilling significantly boosted Cooper Basin reserves.

CSR says that its goals for 1990 are to enjoy a return on funds distinctly better than other similar large companies; to operate businesses the profits and competitiveness of which place them in the top quartile of their respective industries; significantly to reduce dependence on returns derived from commodities—and to acquire a major new line of business.

Disarmingly, CSR told a group of security analysts in Melbourne late last month: "To forestall the inevitable question, we do not know at this stage what the new line of business should be, or how we might obtain entry."

North American Quarterly Results

BANC ONE
Multibank holding company

Second quarter	1984 $	1983 $
Net profits	26.6m	19.3m
Net per share	0.71	0.62
Six months		
Net profits	51.6m	36.2m
Net per share	1.40	1.23

DAISY SYSTEMS
Computer aided engineering

Third quarter	1983-4 $	1982-3 $
Revenue	18.5m	5.13m
Net profits	2.79m	0.67m
Net per share	0.19	0.05
Nine months		
Revenue	47.3m	10.1m
Net profits	7.73m	0.89m
Net per share	0.51	0.07

DOVER
Elevators, industrial equipment

Second quarter	1984 $	1983 $
Revenue	310.86m	246.47m
Net profits	23.5m	17.43m
Net per share	0.68	0.49
Six months		
Revenue	619.64m	491.64m
Net profits	47.68m	35.79m
Net per share	1.34	1.01

FANNIE MAE
Mortgage lender

Second quarter	1984 $	1983 $
Net profits	2.4m	22m
Net per share	0.04	0.34
Six months		
Net profits	17m	37m
Net per share	0.26	0.56

G. D. SEARLE
Pharmaceuticals

Second quarter	1984 $	1983 $
Revenue	323.6m	210.9m
Net profits	38.4m	23.1m
Net per share	0.77	0.47
Six months		
Revenue	603.9m	410.3m
Net profits	63.7m	40.3m
Net per share	1.28	0.81

GREAT ATLANTIC & PACIFIC TEA
Grocery chain

First quarter	1984-85 $	1983-84 $
Revenue	1.72bn	1.51bn
Op. net profits	11.1m	9.1m
Op. net per share	0.30	0.24

GREAT NORTHERN NEKOOSA
Pulp and paper

Second quarter	1984 $	1983 $
Revenue	477.3m	389.6m
Net profits	35.1m	21.7m
Net per share	1.35	0.83
Six months		
Revenue	936.4m	761.3m
Net profits	64.8m	36.5m
Net per share	2.49	1.44

E-SYSTEMS
Military, commercial electronics

Second quarter	1984 $	1983 $
Revenue	211.7m	208.9m
Net profits	14.9m	12.1m
Net per share	0.49	0.40
Six months		
Revenue	404.7m	409.6m
Net profits	30.7m	23.3m
Net per share	1.01	0.77

HILTON HOTELS
Luxury hotels

Second quarter	1984 $	1983 $
Revenue	165.5m	185.6m
Net profits	24.5m	28.3m
Net per share	0.92	1.06
Six months		
Revenue	329.5m	385.7m
Net profits	43.7m	42.7m
Net per share	1.63	1.59

LIBERTY-OWENS-FORD
Glass products, plastics

Second quarter	1984 $	1983 $
Revenue	469.3m	293.7m
Net profits	19.2m	12m
Net per share	1.60	0.96
Six months		
Revenue	906.6m	580.6m
Net profits	37.7m	15m
Net per share	3.13	1.13

NORTH AMERICAN PHILIPS
Electrical, electronic products

Second quarter	1984 $	1983 $
Revenue	1.03bn	927m
Net profits	33.4m	23.2m
Net per share	1.16	0.83
Six months		
Revenue	2.01bn	1.73bn
Net profits	58.3m	35.2m
Net per share	1.98	1.30

INTL. COMPANIES & FINANCE

Louise Kehoe reports on the outlook for the U.S. semiconductor industry

Wall St casts a shadow over Silicon Valley

IT IS 3,000 miles from Silicon Valley to Wall Street and opinions on each coast concerning the outlook for U.S. semiconductor chip makers are just as far apart.

While New York's analysts are expressing increasing uncertainty about the strength of the semocinductor market, in California chip makers and industry analysts remain confident that the boom in sales is set to continue through 1984 and 1985.

The fact themselves are not in dispute. "Lead times"—the average time that a customer must wait after placing his order—are shortening. The "book-to-bill" ratio—a measure of the orders booked over orders shipped—is falling. Prices of some types of device, particularly memory chips, are going down. And several personal computer manufacturers have either cancelled, reduced or delayed orders for the chips used to build their products.

Where there are differences of opinion they arise from the interpretation of the situation. West coast market analysts and semiconductor makers remain confident. Advanced Micro Devices and Intel, two of California's major semiconductor firms, have both reported dramatically increased earnings and sales for the quarter ended June 30. Both companies say they expect the growth trend to continue. National Semiconductor also maintains very strong order growth, the company says.

The chip makers welcome shorter lead times. For the past six months they have concentrated on increasing production capacity in an effort to meet demand for their products. Collectively they have pumped hundreds of millions of dollars into the effort.

A lower book-to-bill ratio is a natural consequence of increased production, they point out. "Basically we are seeing supply move closer to demand," observes Mr Frederick Zieber, director of semiconductor research at Dataquest, a market analysis company based in San Jose.

The frantic buying of semiconductor chips that was prevalent six months ago has "moderated somewhat" says Mr Gordon Moore, chairman of Intel. Customers are buying according to their need, rather than building up stocks, agrees Mr Elliott Sopkin, Advanced Micro Devices vice-president.

Although the "book-to-bill ratio" is widely seen as an indicator of the industry's health, the measure can be misleading. The figure has fallen steadily over the past few months from a record high of 1.47 to just over 1.1 in May. The June figure is expected to be about the same.

Industry insiders say that levels above 1.1 are not sustainable, and that they only indicate an imbalance between the zeal of sales staff and production engineers. Chip makers' policies of turning away orders that they cannot fill over the next 12 months have lowered the ratio. So long as a positive balance (above 1.0) is sustained, the market continues to grow.

'We are seeing supply move closer to demand'

"A mild erosion in semiconductor prices is healthy," suggests Mr Zeiber. "Memory prices typically decline about 30 per cent per year. The chip makers are now quoting prices for mid-1985, so some price decline should be expected," he adds.

Microprocessor sales continue to be very strong, according to Intel, the primary source of the chips that are the "brains" of IBM and IBM-compatible personal computers. Advanced Micro Devices, which second sources Intel's microprocessors, acknowledges that "one or two" of its customers have cancelled or moderated orders. Increasing strength in other market sectors has, however, more than made up for the shortfall, AMD maintains. "The uncertain outlook in the personal computer market has made growth in that sector a little less brisk," Intel acknowledges.

Despite the confidence of the west coast chip makers, Wall Street has reacted strongly to security analysts' suggestions that the semiconductor market is softening. Prudential-Bache customers were "warned" last week that orders for semiconductor products are softening. Although the broker's analysts said that the lower ratio of orders to shipments could be a normal seasonal adjustment, prices of all the major semiconductor companies' stocks declined sharply on heavy trading at the end of last week.

In the highly volatile semiconductor market, the uncertainties expressed by analysts and investors could precipitate a real decline in orders as buyers adjust to the prospect of plentiful supply. It is also entirely possible that the apparent problems of the personal computer industry could have a significant effect on the companies that supply their chips just as the video games boom gave chip makers a temporary, but welcome, relief from the industry wide recession three years ago.

It remains to be seen whether the east coast analysts' long distance—and perhaps more objective—view of the situation is correct, or whether the on-the-spot watchers have a better feel for the mood of the semiconductor industry. It is clear however that the fortunes of California's chip makers could turn as quickly this summer as they did 15 months ago. As Intel's Mr Moore puts it: "I left for a month's sabbatical in May (1983) and returned to find a different company." It had taken just four weeks for the semiconductor industry to transform itself from doom to boom.

Taipower to raise Y5bn

TAIPEI — The state-owned Taiwan Power Co has signed agreements with about 10 firms in Tokyo to issue Y5bn ($20.8m) worth of corporate bonds in Japan—Taiwan's first corporate bonds in Japan.

Chin Ching-Yun, Taipower finance director, said the agreements were signed by L. K. Chen, chairman, on Monday with the heads of about 10 Japanese, U.S. and European banking institutions and securities firms, which he did not name.

The bonds will yield a fixed annual interest rate of 8 per cent and be repayable in seven years. Taipower will use most of the money to buy Japanese power facilities. AP-DJ.

Nokia expects 25% rise in gross profit

By Lance Keyworth in Helsinki

NOKIA, the largest private sector industrial group in Finland, continues to expand with sales in the first four months rising to FM 2.8bn ($468m), a gain of 34 per cent. Exports and sales of foreign subsidiaries showed "considerable growth."

Prospects for the whole of 1984 are said to be satisfactory. Turnover is estimated at FM 9.9bn, an increase of more than 40 per cent against 1983. Group operating profit is expected to increase by 25 per cent.

Earlier this year, Nokia Data signed a four-year agreement to deliver terminals and work stations to Northern Telegraph Systems. This will double Nokia's microcomputer production and make it the largest microcomputer manufacturer in Scandinavia.

Nokia plans two share issues this autumn, the first is for Preferred shares for company personnel, which will raise capital from Fmks 508.87m to Fmks 695m. The second will raise non-restricted a total of Fmks 55m on foreign stock markets.

Commonwealth Bank offers interest on current accounts

SYDNEY — Commonwealth Bank of Australia, the Government owned trading bank, is to become the first major Australian bank to offer daily interest on current accounts.

The move is considered significant since Australia's banks now hold a significant portion of their assets in interest-free accounts.

About 30 per cent of Australia and New Zealand Banking Group's deposits are in interest free accounts, for example.

Analysts say the competition over the interest bearing accounts could hurt Australian bank profits.

The Commonwealth Bank said it would begin paying 4 per cent interest on balances of A$2,000 to A$4,999 and 7 per cent on balances of A$5,000 and more beginning August 1.

Australian banks previously could not offer interest on current accounts due to restrictions against holding short-term deposits. Agencies

JAPANESE RESULTS

TOTO Ceramics Six months to	May '84 Y	May '83 Y
Revenues (bn)	85.07	77.32
Pre-tax profits (bn)	7.66	7.38
Net profits (bn)	3.35	3.2
Net per share	12.32	11.77
Dividend	4	4
PARENT COMPANY		

YAMATO TRANSPORT Parcel Services Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	142.76	115.45
Pre-tax profits (bn)	5.79	5.03
Net profits (bn)	2.43	2.18
Net per share	26.96	24.61
CONSOLIDATED		

TOYAMA CHEMICAL Pharmaceuticals Six months to	May '84 Y	May '83 Y
Revenues (bn)	19.1	21.46
Pre-tax profits (bn)	0.92	1.61
Net profits (m)	358	617
Net per share	4.04	7.09
Dividend	3.5	3.5
PARENT COMPANY		

YASKAWA ELECTRIC Automation Equipment Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	127.22	121
Pre-tax profits (bn)	3.92	6.89
Net profits (bn)	1.81	3.34
Net per share	7.12	15.81
CONSOLIDATED		

INTERNATIONAL APPOINTMENTS

Changes at Boeing

● BOEING COMMERCIAL AIRPLANE COMPANY has made the following management changes: Mr Frank A. Shrontz becomes president in place of Mr Richard Welch who moves to the corporate office as senior vice president. Mr Shrontz was vice president sales in BCAC. Mr Richard R. Albrecht has become BCAC executive vice president for customer services and business management. Mr Philip M. Condit is now vice president marketing and sales for BCAC. He was vice president general manager of Renton division. Mr Dean D. Thornton, BCAC vice president customer services, marketing and contracts, has been named corporate vice president for planning government relations and resource allocation. Three senior Boeing executives have announced their intention to retire in the near future—Mr E. H. Tex Boullioun and Mr Clyde E. Skeen, both senior vice presidents at corporate office and Mr Clarence F. Wilde, BCAC executive vice president.

● RACAL-REDAC has appointed Mr Gene Robinson as president of Racal-Redac Inc., the company's American subsidiary. Mr Robinson comes to Racal-Redac from Telesis Inc., where he was vice president of marketing and sales.

● Mr Marshall Mahler has been appointed president of the area products division of LITTON in Calabasas, Calif. Mr Mahler returns to Litton from ITT Gilfillan where he had been vice president of operations for the past three years. He succeeds Mr David A. Deuser, who died earlier this year.

● Mr Thomas G. Labrecque, president and chief operating officer of the CHASE MANHATTAN CORP and its principal subsidiary, the CHASE MANHATTAN BANK, N.A., has been elected to the board of AMAX Inc. Mr Labrecque became the bank's chief operating officer in 1980 and was elected president in 1981. Formerly he was vice chairman of the board.

● MSI DATA CORPORATION has appointed Mr Charles Butler, formerly vice-president and general manager for Europe as vice-president of marketing, administration, planning and field service a its Costa-Mesa headquarters in California. The post of general manager, Europe has been taken over by Mr Roger Vanstone, who has been promoted from his former position as managing director of MSI Data Ltd in Reading. He will now be based at European headquarters in Brussels. Mr Norman Chisman, formerly European marketing director for MSI Data International in Brussels, becomes managing director of MSI Data Ltd in Reading.

● Mr Hiomasa Abe, managing director of FUJI SPINNING CO. will be promoted to president in July, succeeding Mr Masakatsu Tsubouchi, who will be chairman.

● KREDIETBANK S.A. OF LUXEMBOURG has elected Mr Damien Wigny to the board as administrateur-directeur of the bank.

UK COMPANY NEWS

MFI rises 29% to £39m as store network expands

A FURTHER advance in profits and an increased dividend are announced by MFI Furniture Group for the year to May 26 1984.

Group pre-tax profits of this household furniture retailer in the second half of 1983-84 have risen by 23 per cent to £23.47m taking the year's total up from £30.4m to a record £39.1m. This represents an increase of nearly 29 per cent and compares with growth of almost 100 per cent in the previous year.

The final dividend is being hoisted from 2.3p to 2.9p net per 10p share, taking the total up from 3.7p to 4.6p, on capital as increased by the October 1983 rights issue to raise £26.6m.

Mr Arthur Southon, who is planning to step down as chairman in September, reports that trading has continued to show satisfactory increases over the early weeks of last year.

Although the jump in interest rates is likely to affect consumer spending he says that the group store expansion programme and the extension and improvement of the merchandise ranges enables a confident view to be taken of further successful progress in the current year.

Shareholders are told that further progress has been made in extending and improving the store network. Four stores were opened in new areas and a similar number of smaller units closed. Ten existing stores were relocated.

At the end of 1983-84 there were 121 stores trading. Mr Southon says that the group's plans for the current year are firmly established and a minimum of eight stores will be opened in new areas. At least seven will be resited and together with extensions, the total store area at May 1985 is anticipated to be 4m square feet.

Group turnover in the year showed a 22.2 per cent increase to £300.96m (£246.33m) and net margins are stated to be up from 12.3 per cent to 13 per cent. At the gross level the group's profit shows an advance from £66.96m to £85.31m but distribution costs are up from £20.56m to £26.74m and administrative expenses from £16.42m to £19.29m. Interest in sharply reduced from £1.58m to £183,000.

After taxation of £14.74m (£13.96m), earnings per share are shown to be up from 9.49p to 12.97p. The accounts show an extraordinary profit this time of £797,000 and there is an enhanced amount of £914,000 (£762,000) allocated to the employee profit sharing scheme.

Mr Southon is to be succeeded as chairman by Mr Derek Hunt, the present managing director. Mr Southon remains a member of the board to which four additional directors have been appointed—they are Mr David Brock, Mr Joe Dooley, Mr David Love and Mr Malcolm Shaw.

See Lex

D. F. Bevan maintains progress

THE ENCOURAGING trend D. F. Bevan (Holdings) reported midway was maintained in the second half, and enabled the metal merchant, casting and general engineer, and steel stockholder to finish the year to end-March, 1984 with a return to profit.

The pre-tax result was £358,000, reflecting a strong upturn started in the first half, which yielded £127,000, and contrasting with last year's finish at a loss of £114,000.

The directors recommend a final net dividend of 0.75p making a total for the year of 1p, against 0.25p last time.

Turnover improved from £13.56m to £16.4m. After deducting the cost of sales, £13.94m (£11.71m), distribution costs, £774,000 (£707,000), administrative expenses, £1.01m (£915,000), interest and similar charges, £306,000 (£344,000) and tax, £55,000 (£7,000), the net surplus was £303,000 against a loss of £171,000 last time, when an extraordinary charge of £50,000 was incurred.

Dividends took £73,000 compared to £15,000, leaving profit retained of £230,000, against a loss of £186,000. Earnings per ordinary 5p share were 3.85p (loss: 1.5p).

The return to profitability followed the group being tailored to meet difficulties, as reported to last year's meeting.

Milbury at £2m and increases dividend

A SECOND HALF profit of £1.45m from Milbury makes just over £2m for the full year ended March 31 1984, compared with £551,000. The final dividend is 2.95p on capital increased by the acquisition of Westminster Property Group, giving 5.4p net for the year, against 4.9p.

Mr James Raper, chairman of this housing development group, is confident that it will achieve further progress during the current year. There has been a good start, he says, with housebuilding sales over 50 per cent up on the comparable period last year.

Mr James Raper—reporting substantial growth

Turnover of the group, which is a subsidiary of Saint Piran, moved up from £17.27m to £25.71m. After tax £175,000 (£16,000) the net profit is £1.83m (£535,000) for earnings of 22.18p (9.47p) per share. There is an extraordinary credit of £269,000 being the profit earned on the sale of shares in William Whittingham (Holdings).

Year-end shareholders' funds have increased from £7.6m to £12.4m, and cash balances have risen to £4.2m.

● comment

Whatever the eventual effect of Hong Kong's rumblings on Gasco, whatever the length of the interminable legal action in the Isle of Man, Mr Jim Raper can claim with some justification that Milbury provides a stable onshore UK base. The market had done its sums beforehand and the effect of a near quadrupling of mainstream tradable profits was only enough to shift the shares 2p back up to the year's high of 90p. Yet Milbury can rival competing housebuilder C. H. Beazer for takeover activity in recent months and its newcomers, none of which has yet shown up in the p & l are worth some £900,000 annually on an historic basis and provide a good management and operating core for further expansion. St Piran views, with something more than equanimity, the chance that equity acquisitions could dilute its stake to 51 per cent in the near term. The only brakes on a busy m & a department are a hefty level of gearing (despite some post-balance-sheet rescheduling) and a knockdown earnings multiple on an admittedly puny tax charge. But, rightly or wrongly, the prospects of making a decisive push through 100p might depend as much on the national timber frame and interest rate reverberations as Milbury's own product and marketing ambitions.

NatWest U.S. revival continues

National Westminster Bank U.S.A., the New York banking subsidiary of National Westminster Bank, is continuing its earnings recovery to report a 39 per cent growth in second quarter net income to US$8.8m.

Mr William T. Knowles, chief executive of the U.S. bank, said that the improvement in net income was due to gains in net interest and other income as well as continued success in controlling the growth of operating expenses.

NatWest U.S.A.'s net interest income in the second quarter rose 20 per cent to $68.3m. Net interest income on a tax equivalent basis as a percentage of average earning assets was 4.32 per cent in the latest quarter. a rise of 29 basis points on a year ago.

In addition to the increase in net interest margins, the improvement in net interest income also reflected increased earning asset volume, growth in demand, retail savings and time deposits.

Other income rose $0.6m to $17.7m, helped by higher service charges earned on deposits, Visa cards and international operations. But the figure understates the growth, since the 1983 figures included a $3.0m gains on securities sales.

At the end of June, the group's assets totalled $7.9bn compared with $7.5bn at the end of 1983. Loans rose from $4.6bn at year end to $5.2bn following a $101m equity capital injection.

Stewart McColl

The development capital arm of merchant bank Kleinwort Benson is to inject £1m into Stewart McColl Design Associates in return for a minimum 15 per cent equity stake in the company depending on profits over the next few years.

The design company is planning to seek a full listing on the Stock Exchange in the next couple of years. Its clients include British Telecom, Dorothy Perkins and the British Airports Authority.

Mr Barry Dean, of Kleinwort Benson Development Capital, has joined the board as a non-executive director.

Second half surge boosts HAT to record £10m

WITH A strong second half performance which saw pre-tax profits rise from £4.9m to £6.37m, HAT Group has turned in a record £10.25m for the year to February 29 1984.

The result compares with £8.2m last year, allowing the company to fulfil its midway forecast of improved full year profits.

The group supplies specialist services and materials such as cleaning, glass, mechanical and electrical, merchanting, painting and plastering, and its customers include public and local authorities.

The director state that current trading is encouraging, and further progress is anticipated.

The final dividend is increased from 1.5p net to 1.65p, lifting the total from 3p to 3.3p on capital increased by last July's rights issue. The total is 0.05p ahead of the forecast then made.

Turnover moved up from £145.5m to £185.4m, and after tax of £3.61m (£2.79m) net profits emerged at £5.64m against £5.42m. Minorities took £7,000 (£26,000)

● comment

There have been two major points of doubt against HAT—when will the rights proceeds be used to accelerate U.S. expansion and will it extricate itself from the speculative Houston property development. Those doubts should soon evaporate. A U.S. acquisition could be announced soon. If HAT has been slow that is because its initial target slipped through its fingers and the directors have been wary of trying too hard. As for Houston, it is now fully let and will be sold. With hindsight HAT overreached itself with Houston and if it withdraws at a profit (as it should) that is something of an achievement given the market. U.S. property will be on a backburner for some time. Meantime the latest profits hit at the top end of the perenial 20 to 25 per cent growth range. Within that the rights proceeds provided a £600,000 swing into interest received, a £260,000 loss has been taken above the line for a Tighe contract in Kuwait dropping painting profits by 15 per cent and UK property is off £200,000 due to the vagaries of contract completitions. Now profits growth could start accelerating beyond the traditional parameters and the shares are unduly cautious at 100p where the prospective p/e drops to 8.3—assuming a base of £13m profit.

HIGHLIGHTS

Having briefly looked at the latest turn of events in the market Lex takes a hard look at **Thorn EMI's** £140m rights issue which is being made to finance the Inmos acquisition. The cash call rocked the City and the shares fell a further 42p to 421p by the close of business yesterday having ben within a few pence of £7 earlier this year. The column then moves on to comment on the latest figures from **MFI** which reported pre-tax profits of £39m yesterday for the full year. The questions now centre on the group's long-term expansion plans and the clouded outlook for consumer spending in the light of the recent rise in interest rates.

F. Pratt in the black at midway

HIGHER ACTIVITY following long-term restructuring has enabled F. Pratt Engineering Corporation to report its first profit since 1980.

The £112,000 pre-tax surplus for the six months to April 30 1984—a £159,000 turnround from the comparable loss—follows on the sharp reduction in the deficit from £1.54m to £257,000 at the last year end.

The directors state that while the experience of the past few years has induced a reluctance to comment on longer term prospects, the pattern of orders that has been set for the remainder of the year should ensure that the second half will be better than the period under review.

Orders on hand at the halfway stage amounted to £2.7m, and the trend of orders received has continued in May and June, lifting the order book to a level of over £3m.

● comment

F. Pratt is creeping towards its first annual pre-tax profits since 1980, though the pace of the present recovery is hardly as exciting as the old stories about some of the former directors and their expense accounts. The company has at last seen a strong surge in orders from its traditional "workholding" business, which makes gripping parts for machine tools, particularly from North America. It is, however, difficult to judge to what extent the group has retained its former pre-eminence in the world market in the face of competition from Eastern Europe and elsewhere. Pratt sets great store by its diversification into special projects—including an automatic dairy and an ophthalmic chair—though it seems too early to say how successful these will be in financial as opposed to technical terms. The unexpected return into the black lifted the shares 5p to 46p. At this level the modest recovery is already well discounted since a ful-year pre-tax profit of £250,000 puts the shares on a multiple of 10.

Wight Collins profit nears £1m

AN 85 per cent advance in profits and plans to graduate to a full listing are announced by Wight Collins Rutherford Scott (Holdings), the advertising agency which is at present a member of the Unlisted Securities Market.

Pre-tax profits rose from £516,167 to £954,886 on turnover up from £18.77 to £26.62 in the year to April 30, 1984. The company was recently cited in a survey by accountants Spicer and Pegler as the most profitable British advertising agency in terms of profits per employee.

A final dividend of 2.75p is proposed, making the year's total 4p net, as against 2.75p in 1983, and there is to be a one-for-one scrip issue.

The tax charge rose from £212,916 to £330,000, and there is an extraordinary deferred tax provision of £350,000 relating to the changes in capital allowances introduced in the last Budget. Stated earnings per share, meanwhile, rose from9.5p to 19.5p.

The current year has begun well, with additional assignments from Bass and Thomson Travel.

Winding up orders for 67 companies

Compulsory winding up orders against 67 companies were made by Mr Justice Vinelott in the High Court. They were:

Lincoln Insulation, Boston Health Studios, Storfin, Sondean (Realisations), Centrepeak (Northern).

Jerseywood, Index Finishes (UK), Clownglen, Esterdale, Minus Ten (UK).

Hindmarsh Video, Ebodec, Lombard Industrial (Holdings), Menard Theatrical Productions, Lyndon-Martin Construction.

Bentax of Switzerland, Richard James Fashions.

Ring-Mack Surfacing, Boyd's Co Films (Gossip), Trading and Shipping International, Widnes Properties, Coronet Racing.

East Riding Commercials, Hall Fabrication and Erection Company, HD Construction Company, Embassy Enterprises, Forden Manufacturers (Hardwoods).

First Class Publications, Budegate, Monozone, Namemay, Portmadeiras (UK).

Fuller Demolitions, Saddlegold, Granham, Quality Mechanical Services, Kennek.

Chohan Brothers, Review Newspapers, Smiledale, Charles White Services (Engineering), Premost.

GL International Marketing, Andre and Michelle, Strikeform, Sultan and Ramli International, Modico.

J and B Homestyles, Duplex Litho Press, J. Brierley (Contractors), Panache Furs, Sideland.

Texcroft Engineering, Trident Building and Maintenance Company, High Street Service Station, Donafame, Top Tapes.

CU Packaging, Payne Metcalf, WP (Realisations), Fairquote, Tribute Trading Company.

Riddell's of London (Knightsbridge), Videomatic, Bertie Bonkers, Urbancourt, Aquamarine International (Fisheries and Ocean Development).

Siebe Gorman tops £11m for year

FURTHER PROGRESS through the second six months enabled Siebe Gorman Holdings to lift its pre-tax profits by £5.12m to £11.31m for the year to March 31, 1984.

However, at the request of the Panel on Takeovers and Mergers the directors have retracted a subsequent increase in the proposed final dividend to 7.35p and restated their intention to propose the 6.3p originally indicated. This makes a total of 9.45p (8.5p) per 25p share.

It is pointed out that the Panel has since confirmed that the directors should be constrained from now recommending a final dividend greater than 6.3p per share although in the absence of the constraint the directors would have felt justified in recommending the higher level.

Group pre-tax profits for the opening six months accelerated by 86 per cent to £3.6m (£1.94m) and in a statement in December the directors said that with regard to those figures, the prospects. for the remainder of the year and the future contribution expected from the recent acquisition of Tecalemit they intended to recommend a final dividend of 7.35p, compared with their original forecast of 6.3p.

In addition, they saw no reason why dividends for the 1984/85 year should not also show a worthwhile increase over the forecast new level.

Turnover for the year under review expanded from £86.9m to £156.06

Tax accounted for £5.23m (£2.81m) and minorities £607,000 (£178,000). Below the line there were extraordinary debits of £1.38m (£1.98m).

On a net basis, earnings amerged a 34.5p (26.6tp)

● comment

Even after stripping out the £4.4m pre-tax contributed by recent acquisitions the Siebe group saw underlying profits in its existing businesses grow by a healthy 33 per cent. The improvement is evenly spread, and following the severe rationalisation of recent years, profits have responded quickly to an upturn in demand for safety products. The shares rose accordingly by 18p to 380p. Tecalemit, which did little better than break even in the previous year, chipped in £1.4m in its first four months in the group—well ahead of the City's expectations, and a mark of the speed at which Siebe has slashed the garage equipment group's costs, closed loss-makers, and filled surplus capacity. Acquisition costs, however, have driven up group net borrowings by £11m to £39m, or 85 per cent of shareholders' funds, at which level Siebe will probably need additional equity finance if it is to continue on the takeover trail. Having breached the City Code by forecasting an increased dividend within a fortnight of the Tecalemit bid's closing date, Siebe has been forced to stick to its earlier projection of a 9.45p net total payout, which yields 3.6 per cent with the historic multiple at 10.8.

Yearlings up ¼%

The interest rate for this week's issue of local authority of local authority bonds is 11¼ per cent, up a quarter of a percentage point form last week, and compares with 10 7/16 per cent a year ago. The bonds are issued at par and are redeemable on July 24 1985.

A full list of issues will be published in tomorrow's edition.

UK COMPANIES — BIDS AND DEALS

Buoyant all-round growth is shown by Allied Hambro

Allied Hambro Group yesterday reported buoyant new business on its life, pensions and unit trust sales in the first half of the year.

Total new commissions paid—the measure used by the group to assess new business—rose 19 per cent on the first half of last year from £21.8m to £25.9m. Total funds under management passed the £3bn mark during the period, reaching £3.01bn at the end of June this year.

The main operating company in the group, Hambro Life Assurance, reported new initial commissions up 15 per cent over the period. New annual premiums rose nearly 30 per cent from £38.7m to £49.7m. However, single premiums rose only 10 per cent over the period from £77.9m to £85.9m. Total premium income rose from £224m to £256m an increase of 14 per cent.

The unit linked operation, Allied Unit Trusts, fully participated in the ongoing unit trust boom seen this year on the back of strong stock markets worldwide. Sales were up 93 per cent at £74.8m (£38.7m) while new initial commissions doubled from £1m to £2m.

Assets of the banking subsidiary, Dunbar, advanced nearly 90 per cent over the half year to £70m (£37m)

The company states that of the 19 per cent increase in new initial commissions in the half year, 12 per cent represents underlying growth and the remaining 7 per cent representing a number of one-off factors relating to the change in the mix of business from life and pensions products following the removal of Life Assurance Premium Relief.

● comment

On the surface Hambro Life's new business results were highly satisfactory, while the unit trust operations go from strength to strength. But the growth came in the first quarter when all life companies benefited from the Budget leak that life assurance premium relief was ending. New business in the second quarter matched the corresponding period last year, with the reduction in life business expected from the loss of LAPR being offset by a one-third rise in pension sales. The company is attempting to redress the balance by placing special emphasis on the attractions of life contracts even without LAPR, but this will take time. The company is expecting lower new business growth on its life and pensions activities, and unit trust sales could fall off in the wake of falling stock markets. However, this will affect 1985 profits and meanwhile the market feels that long-term Hambro Life will benefit from the Government's proposed introduction of personal portable pensions. The share price rose 10p to 372p yielding 7 per cent on an expected 18.2p net dividend for this year.

Sumrie share block sold

Mr Harvey Michael Aosa, a Leeds bullion, coin trader and property developer, has reduced his holding in Sumrie Clothes, a men's outerwear maker, from 26.1 per cent to 13.16 per cent.

Most recently an 8 per cent stake—200,000 shares—was sold. At the same time, companies associated with Le Chevalerique, a Monaco-based investment firm, have increased their holding by 8 per cent to 26.6 per cent through the exercise of security for a loan.

The chairman of Le Chevalerique, Mr Michael Hepker, was recently appointed chairman of Sumrie and a director of the Monaco firm, Mr Patrick Benson, was appointed Sumrie's acting chief executive.

Sumrie's share price rose 7p yesterday to 85p.

Hawker expands in U.S. with £15m deal

Hawker Siddeley has reached agreement in principle to acquire 40 per cent of Safetran Systems Corporation, a privately owned U.S. company based in Minneapolis, for $20m (£15.1m at current rates) in cash.

Hawker's wholly owned subsidiary, Westinghouse Brake and Signal, will enter into a licence agreement for Safetran to manufacture and market its railway signalling systems and equipment in the U.S. and Canada.

The acquisition and licence agreement will provide further opportunities for Hawker's railway products and systems in the U.S. and Canada.

Safetran has production facilities in Minnesota, California and Kentucky employing in total around 550 people.

Lincroft answers John Finlan

THE ALL equity offer by John Finlan, the industrial building group, for Lincroft Kilgour has presented the cloth merchanting and investment company with ample opportunities to attack its adversary and defend its record.

The bid, comprising 25 Finlan shares for every 41 shares in Lincroft, has been presented as a cash-raising exercise for the bidder which is now guided by Mr Graham Ferguson Lacey. The defence document despatched to all Lincroft shareholders portrays, at som length, Mr Ferguson Lacey's volatile business career, takes issue with a number of apparent errors in the original offer document and highlights Finlan's 52 per cent earnings fall in the most recent two reported years.

But of possibly greater importance is Lincroft's own belief that it "has now achieved the right balance for its future development." The board, headed by Mr Anthony Holland, says that the group "has a cash generating textile business, allied to a successful and expanding investment portfolio designed to maximise capital growth."

Waddington under fire from Maxwell over rights issue

BY WILLIAM DAWKINS

JOHN WADDINGTON, the games and packaging group, yesterday come under fire from Mr Robert Maxwell, who made an unsuccessful £18m takeover bid for the company last year.

Mr Maxwell, whose Pergamon Press holds a 23.79 per cent stake in Waddington, threatened to sell his shares in the group unless it scraps the £5.2m rights issue it announced last month and takes two Pergamon appointees as non-executive directors.

Pergamon intends to vote against the rights issue at the Waddington annual general meeting on Friday and to call an extraordinary general meeting to propose the election of two directors "who can make a positive contribution to the company's future."

A statement issued by Mr Maxwell said: "Should Waddington directors successfully oppose this, Pergamon will immediately consider disposing of all its Waddington shares at the best price available on the stock exchange."

He said that Waddington had twice rejected requests to take on two Pergamon-appointed directors, and that the company and its financial advisers, Kleinwort Benson, had refused to buy or arrange buyers for Pergamon's 1.87m shares in Waddington. Pergamon had not been consulted about the rights issue and considered "this call for extra funds to be quite unjustified at this time."

Waddington aims to use the rights issue cash to fund a £4m investment on new plant and a £1.6m acquisition of House of Questa.

Beazer unmoved on bid

BY RAY MAUGHAN

C. H. Beazer, the property, housebuilding and construction group bidding £21.45m for William Leech, yesterday removed at least one of the uncertainties surrounding the attitudes of Leech's largest shareholder.

The William Leech Foundation, representing 29.7 per cent of Leech's equity on behalf of five named charitable settlements, had called earlier this week for a higher, recommended offer.

Beazer responded, however, with the assertion that its 145p per share cash terms will not be increased in any circumstances thus removing the remote possibility that the two sides could have patched up an agreed higher offer in the scant few days before the bid closes at the end of the week.

The attitude of Mr William Leech, founder of the Newcastle housebuilder which carries his name, still appears hard to gauge. As the donor of the Foundation's shares, he solds the power of veto over the Foundation's actions, and in a telephone conversation with the Foundation on Tuesday, he re-affirmed his reported opposition to Beazer's bid. He has not yet met the Foundation, however, and is not due to do so until tomorrow.

The stock market was preparing to take the view that Mr Leech's opposition effectively blocks the deal, and Leech's share price slumped a further 5p to 115p.

Amid the Leech board's emotional advertising pleas for North-eastern solidarity against Beazer, both sides were beginning to calculate the extent of their support from the uncommitted 69.3 per cent equity holders.

Rank to expand in video with £4.5m deal

By Alexander Nicoll

Rank Organisation plans to add a video production arm to its Film and Television Services division. It has bought out the half share held by Phicom in Rank Phicom Video Group for £4.5m.

Mr James Daly, a Rank director who is chairman of the video group and managing director of the film and television division, said it was logical to expand the division, which is mainly concerned with feature films, through video production.

The video group offers editing facilities for videos, video duplication and satellite transmission for cable operators. Rank believes the market for prerecorded video cassettes is growing and that by the end of 1985 50 pe recent of homes will tele- —up from 30 per cent now. The visions will have video recorders video group is also benefiting from music videos such as Michael Jackson's "Thriller."

Rank is paying £3.18m in cash, and the repayment by the video group to Phicom of £1.32m of loans brings the total to £4.5m. Phicom will make an extraordinary profit of about £2.5m on the deal, increasing net assets by 4.4p per share.

Phicom shares rose 2p to 46p yesterday while Rank's fell 2p to 228p.

Courtaulds/Certosa

Courtaulds, the fibre and textile manufacturer, agreed yesterday to sell its 64.13 per cent interest in the company's Australian branch, Courtaulds Hilton, to Benheath Pty, a textiles subsidiary of the unlisted Australian company Certosa Group, for A$10.7m (£6.8m).

The Certosa Group, which is building a major textile group in Australia, already owns nearly 27 per cent of Courtaulds Hilton. Certosa's current offer of A$1.15 per share i sup from the A$1.00 per share offered last November, which Courtaulds refused.

Midsummer deletes 'forecast' from letter urging bid rejection

BY ALEXANDER NICOLL

MIDSUMMER INNS, the real ale pub chain, has been forced by the Takeover Panel to withdraw a phrase from a circular sent to shareholders this week urging them not to accept a £1.88m bid from Swithland Leisure.

The circular said: "When the Swithland bid fails, the Midsummer ordinary share price should be well supported by current-year earnings with the prospect of further growth in the next year and beyond."

The Panel, acting on a request from Hambros Bank as adviser to Swithland, ruled that the sentence gav ea profit forecast for a period beyond the current year.

Since it could not be substantiated, Midsummer withdrew the reference to further growth. It has forecast pre-tax earnings of between £110,000 and £150,000 in the current lyear, up from £44,000.

Swithland was formed recently by Mr Adam Page and Mr Paul Reece, who sold a chain of 29 pubs and discotheques to Whitbread earlier this year. It is offering 219p a share, compared with yesterday's closing price of 220p, down 5p.

The price has been supported by buying from Greene King, the East Anglian brewer, which now has a stake of between 8 and 9 per cent and is believed to be waiting to see the level of acceptances of the Swithland bid.

Dollar Land leaves final choice up to shareholders

BY CHARLES BATCHELOR

Dollar Land Holdings, the North American property group traded under Rule 163 (2) in London, is recommending some of its shareholders to accept the £3.48m bid from Mr David Kirch, the Jersey businessman, but advising others to retain their holdings.

Three members of Dollar Land's five-man board plan to retain their personal shareholdings while the other two directors intend to sell.

Mr Kirch already owns or has obtained acceptances from holders of 63 per cent of Dollar Land's shares. His offer has been declared unconditional but remains open until August 14. It will not be extended.

In a letter to shareholders yesterday Mr Hugh Brackett, Dollar Land's chairman, said the offer price of 116p was less than the 150.1p value of pro-forma net assets but was significantly higher than any price obtainable in the market for many years.

Dollar Land's board and its merchant bankers, N. M. Rothschild, advised shareholders wanting to realise their holding for cash in the near term, those whose holding represented a significant asset to them, and small shareholders owning up to about 200 shares to accept the offer.

Other shareholders who believe the company's assets will increase in value when a number of unresolved issues are decided and who are prepared to go along with Mr Kirch's as yet undefined plans for the group, should retain all or part of their holdings, they said.

Mr Kirch intends to inject his UK property interests into Dollar Land and seek either a full Stock Exchange listing or a USM quote for the group. Enough shares will be offered to comply with Stock Exchange or USM requirements.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
British Building	1.75	—	1	3	1.75
D. F. Bevan	0.75	Oct 3	0.25	1.0	0.25
First Leisure ...int	2†	Oct 31	—	—	3
H.A.T.	1.65†	Oct 2	1.5	3.3	3
Meldrum Invst Tst ...int	1.5	—	1.4	—	4
MFI Furniture	2.9†	—	2.3	4.6	3.7
Milbury	2.95†	Oct 1	3.68	5.4	4.9
Siebe Gorman	6.3	Oct 1	5.75	9.45	8.5
Wm. Sommerville	3.95	—	3.95	4.5	4.5
Symonds Eng.	0.61	Aug 17	0.56	0.69	0.79
Vantage Securities ...int	0.35	—	0.35	—	1.2
Warehouse Group	3.75	—	3.13	3.75	3.13
Wight Collins	2.75‡	—	2.75	4	2.75

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Offered for sale in April 1984. Minimum 8p was forecast.

BASE LENDING RATES

A.B.N. Bank	12 %	■Hill Samuel	§12 %
Allied Irish Bank	12 %	C. Hoare & Co.	†12 %
Amro Bank	12 %	Hongkong & Shanghai	12 %
Henry Ansbacher	12 %	Kingsnorth Trust Ltd.	10 %
Armco Trust Limited	12½%	Knowsley & Co. Ltd.	12½%
Associates Cap. Corp.	10 %	Lloyds Bank	12 %
Banco de Bilbao	12 %	Mallinhall Limited	12 %
Bank Hapoalim BM	12 %	Edward Manson & Co.	13 %
BCCI	12 %	Meghraj and Sons Ltd.	12 %
Bank of Ireland	12 %	Midland Bank	12 %
Bank of Cyprus	12 %	■Morgan Grenfell	12 %
Bank of India	12 %	National Bk. of Kuwait	12 %
Bank of Scotland	12 %	National Girobank	12 %
Banque Belge Ltd.	12 %	National Westminster	12 %
Barclays Bank	12 %	Norwich Gen. Tst.	12 %
Beneficial Trust Ltd.	13 %	People's Tst. & Sv. Ltd	13 %
Bremar Holdings Ltd.	10 %	R. Raphael & Sons	12 %
Brit. Bank of Mid. East	12 %	P. S. Refson & Co.	12 %
■Brown Shipley	12 %	Roxburghe Guarantee	12½%
CL Bank Nederland	12 %	Royal Trust Co. Canada	12 %
Canada Permn't Trust	12 %	■J Henry Schroder Wagg	12 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■Charterhouse Japhet	12 %	TCB	12 %
Choulartons	13½%	Trustee Savings Bank	12 %
Citibank NA	12 %	United Bank of Kuwait	12 %
Citibank Savings	¶9¾%	United Mizrahi Bank	12 %
Clydesdale Bank	12 %	Volkskas Limited	12 %
C. E. Coates & Co. Ltd.	12½%	Westpac Banking Corp.	12 %
Comm. Bk. N. East	12 %	Whiteaway Laidlaw	12½%
Consolidated Credits	12 %	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Dunbar & Co. Ltd.	12 %		
Duncan Lawrie	12 %		
E. T. Trust	12½%		
Exeter Trust Ltd.	12½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10 %		
■Robert Fleming & Co.	12 %		
Robert Fraser	12 %		
Grindlays Bank	‡12 %		
■Guinness Mahon	12 %		
■Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		

■ Member of the Accepting Houses Committee.
* 7-day deposits 8.75%. 1-month 9.50%. Fixed rate 12 months £2,500 10.75%. £10,000 12 months 11%.
† 7 day deposits on sums of under £10,000 8¼%. £10,000 up to £50,000 8¾%. £50,000 and over 10%.
‡ Call deposits £1,000 and over 8¼%.
§ 21-day deposits over £1,000 8¾%.
‖ Demand deposits 8¼%.
¶ Mortgage base rate.

Strong quarter from Anglovaal gold mines

BY GEORGE MILLING-STANLEY

ALL FOUR gold mines in South Africa's Anglovaal group improved their ore grades and increased mill throughput in the June quarter, with the result that overall net profits were almost a quarter higher at R44.96m (£23.7m).

The improvements in tonnage and grade led to lower unit costs at Loraine and Eastern Transvaal Consolidated (ETC). The latter, along with Hartebeestfontein and Village Main Reef, consequently recorded higher net profits than in the three months to March, but Loraine's improved working profit led to a further adjustment in state aid.

A downward adjustment of R537,000 in assistance previously taken into account left Loraine with a nil balance for the first nine months of the current financial year.

The mine returned net profits of R2.27m, down from R2.39m in the previous quarter.

Loraine included a report on the progress of an exploration programme on ground close to the mining lease area. The results of drilling to date are sufficiently encouraging for the mine to exercise options over mineral rights to portions of the Farm Dreyerskuil, at a cost of R631,000, although the exploration programme has been deferred pending a sustained improvement in the gold price.

The rise in recovered grade at Hartebeest was largely due to improved surface sorting and a decrease in the average stoping width. Unit costs were higher because of the recent wage awards to white employees and year-end adjustments.

The mine's tax charge fell sharply following the 57 per cent jump in allowable capital expenditure, and net profits came out at R34.18m against R27.2m.

The latest figures for the mines in the group are compared in the accompanying table.

	Jun qtr R000	Mar qtr R000	Dec qtr R000
Hartebeestfontein	34,179	27,204	28,063
Loraine	2,265	2,389	*3
Cnsd. Murchison	4,943	2,581	11,516
Prieska	7,178	4,739	4,434
East Transvaal	7,146	5,653	4,886
Village Main	366	312	191

† Restated profit. * Restated loss after receipt of State aid.

The improvement in grade at ETC came about because of the expansion of operations at the Sheba mine, and this also contributed to the increased tonnage. The comparative figure for mill throughput was depressed by the damage to surface facilities and flooding caused by cyclone Domoina.

ETC's tax charge rose because of the higher level of working profits achieved and the fall in capital spending, but the operation still managed an improvement in net profits.

Rising sales

Anglovaal's base metals operations also did better during the June quarter than in the previous three months, with the copper-zinc producer Prieska Copper Mines benefitting from the higher rand price for zinc and Consolidated Murchison experiencing rising sales of antimony.

Murchison's by-product gold revenue was lower, however, and the company warned that antimony stockpiles have been significantly reduced, so that sales in the second half of the year will have to come largely from current production.

The latest quarterly figures from Prieska helped the mine to net profits of R22.3m for the year to June 30, more than double the previous year's level of R11m. Better metal prices and decreased operating costs were mainly responsible for the rise.

Three of the gold mines also reported full-year figures, with improvements from ETC and the Village Main Reef and retreatment operation, and lower profits from Hartebeest.

ETC saw net profits rise to R22.7m from R17.9m, helped by the extraordinary credit of R1.5m from the sale of the company's timber plantations and sawmill.

Village Main improved net profits by 39 per cent to R1.06m, largely because of a slightly higher gold price, improved gold grades and increased throughput, but Hartebeest suffered a 10 per cent rise in unit costs and turned in net profits of R125.9m, down from R142.9m the year before.

The two gold producers in the Johannesburg Consolidated Investment group also reported on their progress over the past quarter yesterday.

Randfontein Estates improved net profits by one-fifth to R55.3m, largely owing to a lower tax charge in line with the jump in capital spending to R36.2m from R14m in the opening three months of the year.

The mine has entered into forward contracts on currencies in respect of a significant portion of expected revenue from gold and uranium over the next nine months. Losses on similar transactions in the past quarter were included in the figure for the average gold price received, which was little changed at R15,097 per kilogramme in spite of the further deterioration in the rand/dollar exchange rate.

The sister operation Western Areas, by contrast, continued to do well out of its currency and gold hedging deals, and achieved an average gold price of R16,521. Net profits were nevertheless lower, as working costs increased.

The latest figures are compared in the accompanying table.

	Jun qtr R000	Mar qtr R000	Dec qtr R000
Randfontein	55,297	45,491	86,280
Western Areas	15,700	17,749	25,290

Share offer to Sabina holders

The restructuring of Canada's Sabina Industries has been completed and the company's 60 per cent interest in the McFinley gold project has been merged with McFinley Mines to form McFinley Red Lake Mines.

Shareholders of Sabina Industries are offered in exchange for every 10 shares held at July 20, five New Sabina Resources shares plus four shares and one warrant in McFinley Red Lake Mines. Each two warrants entitle the holder to buy an additional McFinley Red Lake share for C$3 cash on or before September 3 1985.

UK shareholders in Sabina Industries can exchange their existing scrip for new certificates through the company's London transfer agents, Gerald, Quin, Cope & Co, 19 Moorgate, EC2.

* * *

Australia's base metals and coal-producing MIM Holdings is making further cost reductions involving offers of early voluntary retirement to personnel plus some retrenchments of workers.

Australian float for Kidston Gold Mines

THE PROMISED Australian flotation of shares in Placer Development's big Kidston Gold Mines venture is about to be made at half the level earlier proposed. According to the prospectus the Australian public is to be offered 15 per cent of the company, or 18.75m shares at A$1.60 (101p) each.

The Canadian Placer will provide 12.5m of the shares, thus reducing its holding in Kidston to 70 per cent. The remaining 6.25m shares will be offered by the Australian partner Elders IXL to leave the latter with a holding of 15 per cent.

Under existing foreign investment guidelines Placer is required to reduce its holding in Kidston to 50 per cent but has asked the Foreign Investment Review Board to extend the deadline for such Australianisation until 1986.

The issue was earlier expected to be of a total of 37.5m shares, or 30 per cent of Kidston, at a price of A$1.85, but this was scaled down in the light of declining share and bullion market conditions. One of the original underwriters recently pulled out.

The open-pit Kidston mine, in north-east Queensland, is destined to become Australia's biggest gold operation when it starts production in the early part of next year. It is expected to produce 281,000 ounces of gold in the first 12 months and over the first five years to average 196,000 oz gold and 158,000 oz silver annually.

Indicated ore have been put at 42.5m tonnes grading a low 0.05 oz (1.56 grammes) gold and 0.06 oz silver per tonne. In an extension of the mian zone additional indicated and inferred reserves amount to some 18.7m tonnes.

UK COMPANY NEWS

First Leisure's £126,000 profit and 2p interim

THE FIRST figures published by First Leisure Corporation since going public show that a profit of £126,000 has been returned for the half year ended April 29 1984, compared with a loss of £648,000. And an interim dividend of 2p net is being paid.

Lord Delfont, the chairman, feels shareholders can look to the rest of the year with confidence. In some areas it appears as if last year's pattern of late bookings will be maintained at the holiday units; early results from the two new snooker clubs are encouraging and further expansion is under consideration.

The group was established in January 1983, having acquired with effect from the previous October the leisure division of Trusthouse Forte for a net price of around £34.2m. Last April the shares were offered for sale on the Stock Exchange at 180p each; no forecast of profit was made for the year ending October 31 1984 but some £4.5m was shown for the previous year. The directors promised a dividend total of not less than 6p.

Major shareholders included London Merchant Securities, Trusthouse Forte, Lord Delfont, Anglia Television and Investors In Industry.

For the half year turnover rose from £8m to £14.3m and operating surplus from £122,000 to £741,000, after taking account of profit on sale of trading properties and investments £223,000 (loss £44,000). The pre-tax profit was struck after interest of £615,000 (£1.04m) and the previous year included £271,000 adjustment for pre-acquisition period.

The chairman reports that better figures came from the inter businesses, the dancing and sports operations showed a considerable upturn on last year, and there was a marked increase in profits from discotheques and bowling centres.

After tax of an associate £30,000 (nil) the net profit for the half-year comes out at £96,000 (loss £648,000) for earnings of 0.5p (loss 3.5p) per share. Last time there was an extraordinary debit of £1.04m being costs arising from the acquisition from Trusthouse Forte and reorganisation expenses. No provision has been made for group tax as the directors do not consider it appropriate to anticipate the effective tax rate for the year.

The balance sheet as at April 29 1984 has been bumped up by £7.67m being the surplus on a professional revaluation of freehold and long leasehold property interests. They were valued at March 1 on an open market basis for existing use at £44.52m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim: Union Discount.

Finals: Christie-Tyler, Fleming Technology Investment Trust, Hampson Industries, Kellock Trust, Robertson Research, Syltone, Wellman.

FUTURE DATES

Interims—

General Accident Fire and Life Assurance	Aug 15
Greggs	July 30
M & G Dual Trust	July 25

Finals—

Clark (Matthew)	Aug 14
Elbief	†July 27
Macarthys Pharmaceuticals	July 31
Real Time Control	July 20

† Amended.

Anglovaal Group

Mining companies' reports – Quarter ended 30 June 1984

All companies mentioned are incorporated in the Republic of South Africa.
All financial figures for the quarter and progressive figures for the current year to date are unaudited.
Rate of exchange on 30 June 1984, R1,00 = £0,54. £1,00 = R1,85.
Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves.
Shareholders requiring copies of these reports regularly each quarter, should write to the Secretaries, Anglo-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST.

Hartebeestfontein Gold Mining Co Ltd

Issued capital: 11 200 000 shares of R1 each

	Quarter ended 30 June 1984	Quarter ended 31 March 1984	Financial year ended 30 June 1984
Operating results			
Gold			
Ore milled ... t	*777 000*	*769 000*	*3 070 000*
Gold recovered ... kg	7 836,10	7 536,20	30 509,54
Yield ... g/t	10,1	9,8	9,9
Revenue ... R/t milled	156,36	154,24	152,39
Costs ... R/t milled	75,40	71,70	72,86
Profit ... R/t milled	80,96	82,54	79,53
Revenue ... R000	121 493	118 611	467 835
Costs ... R000	58 589	55 139	223 685
Profit ... R000	62 904	63 472	244 150
Uranium oxide			
Pulp treated ... t	777 000	769 000	3 070 000
Oxide produced ... kg	114 808	112 237	462 914
Yield ... kg/t	0,15	0,15	0,15
Financial results	R000	R000	R000
Working profit – gold mining ...	62 904	63 472	244 150
Profit from sales of uranium oxide, pyrite and sulphuric acid ...	5 299	4 725	16 778
Non-mining income ...	6 157	5 059	19 693
	74 360	73 256	280 621
Interest paid, stores adjustment and service benefits ...	389	385	1 457
Net royalty payments ...	1 174	3 499	8 659
Profit before taxation and State's share of profit ...	72 797	69 372	270 505
Taxation and State's share of profit ...	38 618	42 168	144 598
Profit after taxation and State's share of profit ...	34 179	27 204	125 907
Capital expenditure ...	12 541	7 978	44 867
Loan repayments ...	790	791	3 187
Dividends ...	47 600	—	81 200
	60 931	8 769	129 254
State loan levy refund ...	5 193	—	5 193
	55 738	8 769	124 061
Development			
Advanced ... m	10 283	9 140	42 194
Sampling results on Vaal Reef:			
Sampled ... m	1 228	1 360	6 322
Channel width ... cm	67	61	62
Channel value – gold ... g/t	15,8	25,2	21,9
... cm.g/t	1 062	1 527	1 364
– uranium oxide kg/t	0,33	0,46	0,42
... cm.kg/t	22,40	27,89	25,85

Ore reserve
The total ore reserve at 30 June 1984, based on a gold price of R16 600 per kilogram, is estimated as follows:

Tonnage ... t	20 740 000
Stoping width ... cm	114
Value – gold ... g/t	11,5
... cm.g/t	1 316
– uranium oxide ... kg/t	0,22
... cm.kg/t	25,26

Financial
In terms of the Company's articles of assocation, the directors' borrowing powers are limited to R50 000 000. At 30 June borrowings totalled R15 574 000 (1983: R18 761 000) of which long-term borrowings amounted to R12 534 000 (1983: R15 721 000) and short-term to R3 040 000 (1983: R3 040 000).

Dividend
Final dividend No. 57 of 425 cents per share was declared in May 1984, making a total of 725 cents per share for the financial year.

Capital expenditure
Outstanding commitments at 30 June 1984 are estimated at R8 529 000 (31 March 1984: R16 294 000).

For and on behalf of the board
B.E. Hersov
W.W. Malan *Directors*

Directors: B.E. Hersov D.M.S. (Chairman), B.L. Bernstein Hon. LL.D., J.C. Fritz, P.L. Grimbeek, E.P. Gush, W.R. Lawrie, W.W. Malan, Clive S. Menell, W.F. Thomas
Alternate directors: C.R. Netscher, D.J. Viljoen, C.L. Sunter, P.J. Eustace, D.J. Crowe*, R.A.D. Wilson, M.D. Henson
*British

18 July 1984

Prieska Copper Mines (Pty) Ltd

Issued capital: 54 000 000 shares of 50 cents each

	Quarter ended 30 June 1984	Quarter ended 31 March 1984	Financial year ended 30 June 1984
Operating results			
Ore milled ... t	*745 000*	*709 000*	*2 983 000*
Concentrates produced			
Copper ... t	22 171	22 888	96 698
Zinc ... t	33 623	36 469	149 605
Concentrates despatched			
Copper ... t	22 756	23 218	100 756
Zinc ... t	40 722	40 747	140 028
Financial results	R000	R000	R000
Operating profit ...	*13 183*	*8 812*	*34 598*
Non-mining income ...	1 731	1 052	4 451
	14 914	9 864	39 049
Interest paid ...	21	13	55
Profit before taxation ...	14 893	9 851	38 994
Taxation ...	7 715	5 112	16 736
Profit after taxation ...	7 178	4 739	22 258
Capital expenditure (recoupments)	(165)	58	(123)
Dividends ...	8 100	5 400	13 500
	7 935	5 458	13 377
Development			
Advanced ... m	2 309	2 347	11 115

Financial
Despatches, which vary from quarter to quarter, are brought to account at their estimated receivable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.

Dividend
Final dividend No. 2 of 15 cents per share was declared in May 1984, making a total of 25 cents per share for the financial year.

Capital expenditure
There were no outstanding commitments at 30 June 1984 (31 March 1984: nil).

For and on behalf of the board
D.J. Crowe
R.A.D. Wilson *Directors*

Directors: D.J. Crowe† (Chairman), B.E. Hersov D.M.S., R.L. L'Esperance*, J.F. Machamer*, D.G. Mackinnon*, Clive S. Menell, J.A. Rosell*, R.A.D. Wilson
Alternate directors: D.A. Blaine, A.J. Brink, W.W. Malan, W.F. Thomas
*American †British

18 July 1984

Eastern Transvaal Consolidated Mines, Ltd

Issued capital: 4 316 678 shares of 50 cents each

	Quarter ended 30 June 1984	Quarter ended 31 March 1984	Financial year ended 30 June 1984
Operating results			
Ore milled ... t	85 900	73 500	309 400
Gold recovered ... kg	906,14	689,57	3 129,69
Yield ... g/t	10,5	9,4	10,1
Revenue ... R/t milled	160,61	141,51	152,72
Costs ... R/t milled	74,37	76,98	75,61
Profit ... R/t milled	86,24	64,53	77,11
Revenue ... R000	13 796	10 401	47 251
Costs ... R000	6 388	5 658	23 392
Profit ... R000	7 408	4 743	23 859
Financial results	R000	R000	R000
Working profit – gold mining ...	7 408	4 743	23 859
Non-mining income ...	*1 330*	*308*	*1 793*
	8 738	5 051	25 652
Prospecting expenditure and stores adjustment ...	1 035	745	3 646
Profit before taxation ...	7 703	4 306	22 006
Taxation ...	557	153	782
Profit after taxation ...	7 146	4 153	21 224
Extraordinary item ...	—	1 500	1 500
Net profit ...	7 146	5 653	22 724
Capital expenditure ...	3 664	4 140	16 896
Dividends ...	3 022	—	3 885
	6 686	4 140	20 781
State loan levy refund ...	277	—	277
	6 409	4 140	20 504

The extraordinary item represents the net after-tax profit arising from the sale of the timber plantations and sawmill at Mamre.

	Quarter ended 30 June 1984	Quarter ended 31 March 1984	Financial year ended 30 June 1984
Development			
Advanced ... m	1 705	1 529	7 917
Sampling results:			
Sampled ... m	850	346	3 276
Channel width ... cm	*213*	*209*	*205*
Channel value ... g/t	6,0	8,4	6,4
... cm.g/t	1 278	1 753	1 340

Ore reserves
The total ore reserves at all mines at 30 June 1984, based on a gold price of R16 600 per kilogram, are estimated as follows:

Tonnage ... t	1 687 700
Stoping width ... cm	211
Value ... g/t	15,4
... cm. g/t	3 244

Dividend
Final dividend No. 68 of 70 cents per share was declared in May 1984, making a total of 90 cents per share for the financial year.

Capital expenditure
Outstanding commitments at 30 June 1984 are estimated at R2 535 000 (31 March 1984: R2 777 000).

For and on behalf of the board
R.A.D. Wilson
D.J. Crowe *Directors*

Directors: R.A.D. Wilson (Chairman), D.J. Crowe*, M.D. Henson, B.E. Hersov D.M.S., W.W. Malan, Clive S. Menell, W.F. Thomas
*British

18 July 1984

Consolidated Murchison Ltd

Issued capital: 4 160 000 shares of 10 cents each

	Quarter ended 30 June 1984 R000	Quarter ended 31 March 1984 R000	Six months ended 30 June 1984 R000
Financial results			
Sales of antimony concentrates less realisation charges ...	11 997	6 427	18 424
Gold sales ...	2 608	2 889	5 497
Sundry mining income ...	*45*	*16*	*61*
	14 650	9 332	23 982
Working costs ...	5 611	5 037	10 648
Working profit ...	9 039	4 295	13 334
Non-mining income ...	357	389	746
	9 396	4 684	14 080
Prospecting expenditure and interest paid ...	245	338	583
Profit before taxation ...	9 151	4 346	13 497
Taxation ...	4 208	1 765	5 973
Profit after taxation ...	4 943	2 581	7 524
Capital expenditure ...	916	357	1 273
Dividends ...	1 664	—	1 664
	2 580	357	2 937

Operations
As announced on 18 June 1984, the Company is to proceed with the deepening of the Monarch East shaft at an estimated escalated cost of R15,5 million.
Antimony sales continued to improve during the quarter. However, stock levels have dropped significantly. Sales in the second half of the year will largely be made from current production and are therefore expected to be lower than in the first half of the year.

Financial
The revenue from the sale of antimony concentrates brought into account each quarter is based on actual shipments made, which can vary considerably from quarter to quarter.

Dividend
Interim dividend No. 73 of 40 cents per share was declared in June 1984 and is payable in August 1984.
Although conditions in the antimony market continue to be favourable, the *increase in the interim dividend* from 20 cents to 40 cents per share should not be interpreted as being indicative of an increase in the total distribution of dividend for the 1984 financial year, particularly in the light of higher capital expenditure requirements.

Capital expenditure
Outstanding commitments at 30 June 1984 are estimated at R227 000 (31 March 1984: R2 000).

For and on behalf of the board
C. Carrington
D.J. Crowe *Directors*

Directors: C. Carrington* (Chairman), D.J. Crowe*, B.E. Davison (Managing Director), V.G. Bray, J. Coetsee, B.E. Hersov D.M.S., B.J. Jackson*, W.W. Malan, Clive S. Menell, R.A.D. Wilson
Alternate directors: P.W.J. Coenen†, P.J. Cronshaw*
*British †Dutch

18 July 1984

Loraine Gold Mines, Ltd

Issued capital: 16 366 986 shares of R1 each

	Quarter ended 30 June 1984	Quarter ended 31 March 1984	Nine months ended 30 June 1984
Operating results			
Ore milled ... t	406 000	389 000	1 181 000
Gold recovered ... kg	2 195,10	2 020,61	6 161,49
Yield ... g/t	5,4	5,2	5,2
Revenue ... R/t milled	82,45	81,72	79,51
Costs ... R/t milled	73,40	75,62	75,28
Profit ... R/t milled	9,05	6,10	4,23
Revenue ... R000	33 474	31 791	93 901
Costs ... R000	29 799	29 417	88 902
Profit ... R000	3 675	2 374	4 999
Financial results	R000	R000	R000
Working profit – gold mining ...	3 675	2 374	4 999
Profit from sales of uranium oxide, pyrite and treatment of stockpiled calcines ...	203	467	965
Non-mining income ...	(492)	421	378
State assistance ...	(537)	(328)	—
	2 849	2 934	6 342
Interest paid ...	569	568	1 692
Tributing royalty payable ...	15	(23)	(1)
Profit ...	2 265	2 389	4 651
Capital expenditure ...	3 325	1 130	8 419
Loan repayments ...	3 868	47	4 170
	7 193	1 177	12 589
Development			
Advanced ... m	6 412	6 721	21 468
Sampling results:			
Kimberley reefs			
Sampled ... m	60	138	326
Channel width ... cm	173	98	131
Channel value ... g/t	4,8	4,6	4,5
... cm.g/t	834	450	588
Basal reef			
Sampled ... m	326	208	892
Channel width ... cm	8	8	8
Channel value ... g/t	143,6	54,6	94,5
... cm.g/t	1 149	448	756
Eldorado reefs			
Sampled ... m	890	572	2 120
Channel width ... cm	115	109	110
Channel value ... g/t	9,2	7,4	8,1
... cm.g/t	1 064	811	895
Total – all reefs			
Sampled ... m	1 276	918	3 338
Channel width ... cm	91	85	85
Channel value ... g/t	11,8	8,0	9,8
... cm.g/t	1 075	674	828

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 30 June borrowings totalled *R14 949 000 (1983: R17 224 000) of which long-term borrowings amounted* to R4 986 000 (1983: R14 927 000) and short-term to R9 963 000 (1983: R2 297 000).

Taxation
No taxation or State's share of profit was payable as the Company has assessed losses.

Prospecting
The preliminary phase of an exploratory drilling programme, designed to assist decision making relative to the exercise of certain mineral right options previously acquired by the company, has been completed.
The drilling comprised the deepening of an existing surface borehole, S1 on the farm Siberia 230 on the common boundary with Dreyerskuil 420 and *the drilling* of RS1 on the farm Le Roux's Pan 240. Both boreholes penetrated the economic horizons presently being exploited in the company's lease area to the south. The sampling of these horizons gave the following average assay results calculated from intersections with complete core recovery:

Borehole/ Reef	Depth (m)	Corrected width (cm)	No. of inter-sections	Gold (Bullion) cm-g/t
S1				
Basal	3 010,97	21,80	2	55,5
"B" (Kimberley)	2 720,37	57,21	3	626,7
U. Eldorado (Elsburg)	2 227,61	125,95	3	873,1
RS1				
Basal	*1 916,77*	*51,15*	4	*242,0*
"B" (Kimberley)	1 704,64	27,74	3	118,0
Big Pebble (Kimberley)	1 674,71	136,23	3	689,6

These values are comparable with those obtained from the diamond drill borehole L1 *on the northern boundary of the lease area.*
Mineral rights to portions of the farm Dreyerskuil 420 have now been purchased at a cost of R631 000. Further phases of the programme have, however, been deferred pending a sustained improvement in the gold price.

Capital expenditure
Outstanding commitments at 30 June 1984 are estimated at R1 202 000 (31 March 1984: R2 856 000).

For and on behalf of the board

D.J. Crowe
R.A.D. Wilson *Directors*

Directors: D.J. Crowe* (Chairman), F. Bantley*, B.E. Hersov D.M.S., W.W. Malan, Clive S. Menell, C.R. Netscher, P.L. Grimbeek, S.W. van der Colf, R.A.D. Wilson, G.S. Young
Alternate directors: T.S. de Souza, F.S. Clarke, P.J. Eustace, D.J. Viljoen
*British

18 July 1984

LAW

FT COMMERCIAL LAW REPORTS

Insurers liable on sale price cover

HADENFAYRE LTD v BRITISH NATIONAL INSURANCE SOCIETY LTD AND OTHERS

Queen's Bench Division (Commercial Court): Mr Justice Lloyd: July 12 1984

WHERE THE price of land is payable in instalments at a specified rate, and the vendor insures against default, a subsequent reduction in the rate is a material variation of the insurance contract in that the risk as to the amount of liability on default is increased; but the insurer is not entitled to repudiate liability on that ground if, with actual knowledge of the variation, he has affirmed the contract by accepting the premium and issuing the policy.

* * *

Mr Justice Lloyd so held when giving judgment for Hadenfayre Ltd, property developers, in a claim against three insurance companies, British National Insurance Society Ltd and others, in respect of their repudiation of liability under an insurance policy taken out by the developers.

*

HIS LORDSHIP said that in 1983 the developers acquired eight acres near Huddersfield. They entered into a contract with demolition contractors under which the contractors agreed to buy the site for £275,000.

The plan was that the contractors should pay the £275,000 in instalments by selling off materials as the buildings were demolished, and by selling off a listed building.

The developers were anxious to obtain insurance cover in case of default by the contractors. They instructed a broker to obtain a quotation. He was told that the instalments were agreed at £6,000 per week. He prepared a slip stating that the instalments were £6,000, and on March 28 1983 he called on two underwriters. They had been given binding authority by the three defendant insurance companies to write contingency insurance on their behalf. One of the underwriters initialled the slip and the attached insuring clauses.

The insuring clauses referred to the sale contract as having been entered into already. In fact it was not entered into until April 7, and when it was, the instalments were not £6,000 as stated in the slip, but £3,000.

The insurers said they were never informed of the reduction from £6,000 to £3,000. On November 27 they repudiated liability on the ground of non-disclosure of a material fact.

On the evidence it was found that the decision to reduce the instalments was made on the afternoon of April 6, and that the broker rang the underwriter's offices on the morning of April 7. He left a message for the underwriter that contracts were about to be exchanged, and that the rate of payment had been reduced. Contracts were exchanged that afternoon.

Mr Playford, for the insurers, submitted that though the slip was signed on March 28, the contract of insurance did not become binding until April 7. Until then, he said, it lacked subject-matter.

That was not accepted. The contract became binding in the fullest sense when the slip was signed on March 28 (see Fennia [1983] 3WLR 334).

His second submission was that the change from £6,000 to £3,000 constituted a material variation in the risk. A guarantor was discharged from liability in the event of material variation in the contract between creditor and debtor, and the present contract of insurance had obvious affinities.

Mr Reynold argued that the variation was not material in that the essential characteristics of the underlying contract remained the same.

He had properly conceded that the reduction was a material fact, and it was difficult to square his argument with that concession. If the reduction in instalments was a material fact to be disclosed before the contract of insurance, it followed that it must have constituted a material variation after the contract was concluded.

Mr Reynold relied strongly on Law Guarantee [1912] 1 Ch 157. There the plaintiffs had guaranteed debentures carrying interest at 4½ per cent. The risks under the guarantees were reinsured by the defendants. The defendants argued that a subsequent reduction of the debenture interest rate to 3 per cent under a scheme of arrangement altered the original risk, and that they were under no liability to pay.

It was held that there had been no such alteration as to discharge the defendants. The reduction was within the scope of the risk contemplated by the parties and accepted by the defendants.

The crucial difference between Law Guarantee and the present case was that there the defendants were obliged to accept the risk under the treaty of reinsurance, whether the rate was 4½ per cent or 3 per cent. The furnishing of particulars which included the rate of interest was really immaterial.

In that case there were three separate contracts for consideration—the debenture contract, the guarantee contract and the insurance contract. In the present case there were only two contracts—of sale and of insurance. There was no immediate contract of guarantee.

It was held in Law Guarantee that the essence of the guarantee contract was that the plaintiffs were to pay on default. The manner and amount of such payment was treated "as mere detail of arrangement as to time and mode."

That view could not be taken in the present case. Once the instalments were disclosed, any reduction in the rate effected a material variation in the risk in the sense that the amount for which the insurers might be liable at any time would be greater.

In Law Guarantee such a point would be regarded as going only to quantum. It could not be so regarded in the present case. "Risk" was an elusive word in the law of insurance. In the present context, where one was concerned with increase or variation in the risk, it must include not only the likelihood of a claim, but also the likelihood of a greater claim.

For those reasons Law Guarantee was distinguishable. There was a material variation in the risk insured when the instalments were reduced from £6,000 to £3,000.

Subject to a further point the defendants would therefore be entitled to repudiate liability. Mr Reynold submitted, however, that if the broker did indeed inform the insurers of the reduction in the instalments, then their acceptance of the premium with that knowledge and the subsequent issue of a policy, precluded them from taking the defence.

He submitted that the insurers had affirmed the contract with full knowledge.

In CTI v Oceanus (1984) 1 Lloyd's Rep 476,529 Lord Justice Stephenson said "there can . . . be no affirmation of a contract unless the underwriter enters into it or carries it out after he has full knowledge of the information."

By accepting the premium and issuing the policy the insurers were undoubtedly carrying out the contract. The question was whether they did so with the full knowledge of the relevant facts. Constructive notice was not enough. Actual knowledge was required. But what did actual knowledge mean in the present context?

Mr Playford submitted that the only persons duly authorised to write insurance on behalf of the insurers were the two underwriters and they were therefore the only persons authorised to receive any notice in relation to the policy.

So narrow a view could not be accepted. It would make business almost unworkable. It was difficult to accept the evidence, unanimous though it was, that nobody except the two underwriters had actual authority within the office to accept even the simplest message relating to an underwriting matter.

Even if that were wrong, the person who answered the telephone had ostensible authority to accept the message and pass it on. It might have been different had that person been an office cleaner, but there was no question of that.

There was at the very least a presumption of fact that a notice to an agent would be passed on to his principal. It could be rebutted by evidence, but was not so rebutted in the present case.

The notice which was received in the office, being a notice which was intended for the underwriter, was the equivalent of actual notice to the underwriter himself. With the knowledge derived from that notice he accepted the premium and issued the policy.

The insurers had, through the underwriter, affirmed the contract on the altered terms by carrying out the contract with full knowledge of the alteration. They could not now disaffirm it.

Mr Playford submitted that the information contained in the slip amounted to a warranty, for breach of which the insurers were discharged.

Assuming against the developers that the information in the slip was a term of the contract, whether condition or warranty the insurers could not say that the developers were in breach. If with full knowledge of a breach, of condition or warranty, insurers elected to affirm the contract, they could not afterwards rely on the breach as a defence to a claim.

All the defences were rejected and the developers' claim succeeded.

For the developers: Frederic Reynold QC and Paul Hampton (Ward Bowie for Booth and Co., Leeds).

For the insurers: Jonathan Playford QC and Anthony Temple (Davies Arnold and Cooper).

By Rachel Davies
Barrister

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

OKUMURA CORPORATION

Further to our notice of March 23, 1984, EDR holders are informed that Okumura Corporation has paid a dividend to holders of record March 31, 1984. The cash dividend payable is Yen 9 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 5 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A. R. of Egypt	F. R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after October 31, 1984.

Amounts payable in respect of current dividends.

Coupon No. 5 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
10,000 shares	$378.15	$321.43	$302.52
1,000 shares	$ 37.81	$ 32.14	$ 30.25

Further to the notice of March 23, 1984 concerning the free distribution of shares (2 new for each 100 old), EDR holders are informed that the new shares are now available for delivery and should be claimed by presenting Coupon No. 6 to the Depositary or the Agent. EDRs will only be issued in Authorised Denominations of 1,000 shares, therefore any EDR holder not able to present coupons making-up an Authorised Denomination will receive the net proceeds of the sale of their entitlement in United States Dollars pursuant to Condition 5 of the Terms and Conditions.

Depositary: Citibank, N.A. 336 Strand, London WC2R 1HB

Agent: Citibank (Luxembourg) S.A. 16 Avenue Marie Therese

July 18, 1984

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

SGS's turnround

Brash style produces the profits

Alan Friedman on Italy's Pasquale Pistorio

IT IS late morning in the stylish boardroom of SGS, Italy's leading semiconductor company based a few miles outside Milan.

A handful of top executives ponder the questions they have just been asked: what is it like to work for the Sicilian-born, American-trained Pasquale Pistorio, brought in by the Italian Government four years ago to turn round the ailing company? How has Pistorio's brash American-learned management style melded with the lumbering tradition of much of Italian state industry? How do managers' wives feel about Pistorio's workaholic schedule, which he expects his colleagues to keep up?

Just as one leans forward to say (as he did later) "Like a cyclone," the burly Pistorio bounces in. Having been told of the questions, it takes but a moment before he launches into some answers: "I'll tell you about the management style. The management style here is typical of any company where you have the smell of success. There is a lot of running around, a tremendous drive and momentum and I am very proud of myself and my colleagues."

Pistorio then goes on to map out his "three-dimensional matrix" style of management, learnt during 17 years with Motorola in Europe and the United States. When the Italian Government tracked him down in 1980 and offered him the opportunity of taking a 40 per cent cut in salary to run SGS, Pistorio was a Motorola vice-president in Phoenix, Arizona, the most senior non-American in the company.

SGS-Ates, a company with a history of technological innovation and inadequate marketing, was in bad shape when Pistorio arrived. It had been making losses since the 1960s, was overstaffed and a burden for its IRI-Stet State holding parent. "There is no question that when I joined the company it was in a very precarious financial condition. The value of the company was zero or negative," explains the forthright Pistorio.

But last year, for the first time in nearly 15 years, SGS made a small profit on its $230m of sales. And Pistorio, with typically outrageous ambition, says that by 1988 he wants SGS to be a "one billion dollar company and among the top 15 semiconductor suppliers in the world." SGS is now the 20th largest company in terms of revenues, having moved up three places since 1980.

The odd thing is that even though Pistorio's speech is peppered with dramatic declarations and self-congratulatory remarks, he nonetheless seems capable of achieving things in an Italian state company which simply have not been done before. The Pistorio regime at SGS is flamboyantly rewriting Italian industrial history and the key appears to be a highly sophisticated and at times quite brutal management style.

The style begins with an extraordinary three-page booklet which is handed out periodically to every one of SGS's 8,000 employees. Pistorio jokingly refers to it as his "quotations from Chairman Mao book" and that is more or less what it is. The first page states clearly in half-inch high blue letters that "We at SGS have a mission, objectives and strategies" and then in simple Italian the goals are described.

The mission which SGS is undertaking under the Pistorio rule is based on a combination of American-style sloganeering, constant cost-benefit analysis and rationalisation measures and gritty determination. "We want to be a broad range supplier throughout the world," explains Pistorio, lapsing into what his colleagues say is an oft-repeated quotation: "Any modern industrial society is conditioned by a modern and advanced electronics industry."

Pasquale Pistorio: rewriting Italian industrial history

For Pistorio, the choice is simple: "Either we will have an African Europe or an advanced Europe. I believe in Mrs Thatcher's economic policies. She knows that you cannot invest unless you also disinvest." And this outburst leads the volatile Pistorio to the question of staff redundancies. One of the first things he did when he arrived was to cut more than 1,000 jobs. "We cut people at all levels," he admits.

The move, which took 18 months ("In America it would have taken me a week or two") to accomplish, stunned and angered the SGS workforce. Strikes were chronic for much of his first year. Workers would actually camp outside Pistorio's office, chanting and singing an Italian melody with the words: "You want to be an American, but you are Italian."

"I remember that when some American clients came to visit me they found these workers singing outside my door, sitting on the floor. They asked me what was going on and I told them the workers were serenading us with some typical Italian folk music," recalls the unflappable Pistorio.

But for Pistorio, who had already told the Italian Government that he would run SGS as though it were a private company or not at all, the strikes did not matter. "When I came here we had sales per head of L15m. The industry standard was three times the level of output. So I made a simple calculation: either my sales are one-third of what they should be or I employ three times too many people."

From 8,800 in 1980 the workforce was slashed to 7,000 in 1982. Now, with a workforce back up to 8,050 because of demand (the world shortage in integrated circuits is a great help for SGS) output is four times the per capita level of 1980. It was not just a reduction of the workforce: it was also a relocation of activities. Pistorio shifted the most labour-intensive operations out of Italy to Malta, Malaysia and Singapore. In 1980, 80 per cent of assembly operations were in Italy, France and Britain. Today the proportion is less than 5 per cent. Pistorio reckons that using cheap third world labour for unskilled manufacturing has saved him $50m a year.

At the same time he built up a network of computer design centres and distribution networks in America and the Far East. He reorganised the structure of the company into three geographic regions: Europe, Asia/Pacific and the U.S. He redirected marketing away from Europe. In 1980, 86 per cent of SGS turnover came from Europe, 6 per cent from Asia and 8 per cent from the U.S. Today the breakdown is 54 per cent Europe, 16 per cent Asia and 30 per cent U.S.

After job cuts and reorganised marketing, Pistorio set about boosting research and development: the company now spends 14 per cent of its annual turnover on R and D. It has also recently opened design centres which use computer techniques to meet client demands in the U.S. and West Germany, the UK, France and Singapore.

But what about the actual working day? Pistorio is at his desk at 7.20 each morning and claims that he rarely departs before 8.30 or 9.0 in the evening. Because he believes that factory workers "should have an example" Pistorio asks all executives to be at their desks by 8.30 in the morning as well.

As for the management itself, Pistorio says he introduced "things which are so standard in America that I am embarrassed to tell you about them." These include regular financial reporting, which did not exist previously.

Every Monday evening Pistorio receives weekly reports from his four functional divisions, three regional divisions and assembly manager. Every Tuesday morning there is a staff meeting. Every four weeks there is a operational review where problems are discussed and corrective actions decided. Once a quarter there is a budget meeting to update the rolling forecast. Every summer there is an update of the company's five-year strategy and each May there is a conceptual plan conference which meets away from the office for a 10-year qualitative discussion of "goals."

Remarkably, Pistorio's textbook business methods are gaining the begrudging acceptance of his company. And the IRI-Stet parent company, which increased capital by Lire 50bn this spring to Lire 130bn, will by year-end increase capital by a further Lire 120bn to Lire 250bn, according to Pistorio.

What is more, Pistorio is willing to predict that following last year's breakthrough into the black after 15 years of losses, the 1984 profit could be as much as $30m on sales which could be 50 per cent higher at $350m or more.

The result of all this is that SGS is beginning to alter what Pistorio calls "the terrible reputation of Italian state institutions." A strange thing indeed has happened at the SGS headquarters North-east of Milan: the American profit culture has taken over.

Quality circles

More than a passing fad

FAR FROM proving a short-lived management fad, as many sceptics predicted, quality circles now have a firm foothold on both sides of the Atlantic, and are even spreading to East European countries such as Hungary and Yugoslavia.

This buoyant, if far from problem-free, picture emerges from two separate sources: a study of quality circles in UK industry, and a congress of worldwide quality experts.

Barrie Dale, of the Department of Management Sciences at the University of Manchester Institute of Science and Technology (UMIST), finds in his latest questioning of 132 British manufacturing companies that, in spite of a sizeable number of failures, growth is still taking place both in the number of organisations with circles and the average number of circles per company.

"In the early days many people doubted whether quality circles would ever take root in the UK industrial climate. But from small beginnings in 1978, circles have grown and prospered in many locations throughout the UK. The research carried out by Umist puts the number of organisations operating circle programmes at 200-plus at some 400-500 different work sites," he writes.

Circles are spreading to service organisations like American Express, British Airways, British Rail and the Central Electricity Generating Board. Some observers believe service organisations do not lend themselves readily to quality circles, but Barrie Dale and Jayne Lees, in a separate report on this sector, say the labour-intensive nature of service organisations suggests that they might be an even more fruitful breeding ground for circles than manufacturing companies.

Looking internationally, Dale points to reports from the U.S. that the number of organisations of all kinds with quality circles programmes soared from 150 to 1,000 there in a single year. This picture was confirmed in a speech to the European Organisation for Quality Control's World Quality Congress in Brighton, England, last month by Wayne Rieker, who was instrumental in bringing circles to the U.S. 10 years ago.

By 1982, he said, a New York Stock Exchange survey found that 75 per cent of large manufacturing companies (with over 10,000 employees) had quality circles. They now had "a good, strong foothold in U.S. industry."

Quality circles are small groups of employees, often seven or eight, who meet regularly to solve problems of quality and other aspects of their work, including productivity. They were developed by the Japanese in the early 1960s (largely on the basis of U.S. organisational research); Japan now has more than 1m circles involving 10m workers.

Circles can deal with many issues other than quality, but there is evidence that they are forming an important part of the West's response to Japan's supremacy on product quality. In the UK, quality appears to be the dominant subject of circles, and Dale's survey shows that more of them are dealing with quality projects than a year ago.

In U.S. circles, concern about quality also figures strongly. The achievements of Ford's circle programme include a 45 per cent reduction in quality defects, as well as cost savings and improved labour-management relations.

Installation instructions

This focus by Western circles on quality comes as the emphasis in Japan shifts away from it. Circles there were started specifically to address the country's poor quality image in the 1950s and 1960s, but most of them now deal with issues like safety, productivity, work conditions and cost reduction.

Purists stress that the benefits come from generally improved staff motivation rather than from specific cash savings but some startling examples of bottom-line benefits have come from the cost-conscious U.S.

A three-year-old programme at the Naval Air Rework Facility in San Diego, California, has cost $254,000 and saved $9.1m, a return on investment of 35 to one. Jet aircraft assemblers, for instance, saved $642,000 by redesigning the installation instructions for electrical harnesses in F2 cockpits.

The Brighton congress heard speakers from Britain, Sweden, Belgium, South Korea, Denmark, Hungary and Yugoslavia describe their experiences with circles. The central question is whether the expansion reported by them effectively nullifies scepticism expressed two years ago by Japan's Professor Kauru Ishikawa, known as "the father of quality circles," about whether they could ever catch on in the Western world, where there was said to be a deep lack of commitment to quality on the part of management.

As yet, the answer is still unclear. For one thing, circles are still less well established in some countries than others. Even in the U.S. the proportion of any one company's personnel involved in circles is no more than about 10 per cent, compared with up to 80-90 per cent in Japan.

Companies in several countries are also experiencing extensive problems with circles.

Two speakers from LVD, a Belgian company which makes machines for sheet-iron works, said that although their own five-year-old programme had cut costs and improved quality and would continue, many Belgian employers had treated circles wrongly as a panacea. "The disappointment was all the deeper when they saw the remedy did not work wonders."

Nor has it all been plain sailing for the U.S. circles movement. Wayne Rieker outlined some of the problems: a deluge of "phoney" consultants, an anti-Japanese backlash caused by the trade imbalance, absence of leadership from quality control professionals, deficiencies in training, some union resistance, lack of full management support, and concern expressed by "quality gurus" that managers were perceiving circles as a substitute for a strong total quality system.

In the UK, Barry Dale says some managements are adopting a "slapdash" approach which reveals a lack of understanding of the fundamental philosophy. Despite the crucial importance of the "facilitator"—a company official appointed to service and nurture circles—some companies were trying to do without one, or with a part-timer, or to cut down the number of hours the facilitator spent on circles.

Quality Circles in UK Manufacturing: A State of the Art Picture, occasional paper 8402; and Quality Circles in the UK Service Sector, occasional paper 8406; £7 each from B. Dale, Department of Management Sciences, Umist, PO Box 88, Manchester M60 1QD.

Brian Groom

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SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday July 18 1984

Tight terms set for General Electric Eurobond, Page 34

WALL STREET

Credit leap difficult to digest

CREDIT markets had another nervous session on Wall Street yesterday as investors digested the announcement of a *record surge in consumer credit during* May, *writes Terry Byland in New York.*

Short-term rates remained firm with *three-month* Treasury *bills moving* sharply above the 10 per cent mark in response to the weekly auction, where rates touched the highest level for two years. Bonds continued to drift lower in thin trading, but the stock market found buyers at midsession.

During the second half of the session, a solid rally in the bond markets helped stock prices. The Dow Jones industrial average closed a net 6.07 points higher at 1,122.90, after touching 1,124.23 earlier. Turnover showed a modest increase, with 83.7m shares traded, against 74.1m in the *previous session. The key long* bond was finally little changed on the day.

A rash of special situation stocks provided the features in the stock market, and blue chips found some follow-through from the modest buying seen at the end of the previous session.

While the Dow 1,100 mark seems to have established itself as a support line for the moment, the market depends on a clearer vision of interest rates for its next move.

The federal funds rate – the overnight rate most easily influenced by the Federal Reserve – *stayed high despite* a $1.5bn round of customer repurchases by the Fed when the rate reached 11⅞ per cent. The Fed's action was inevitably judged against the backcloth of its Open Market Committee meeting in Washington.

Some analysts commented that the repurchase move was further evidence that the Fed was unwilling to be identified as tightening the reins just at present

But at the longer end of the market, the fears voiced by Dr Henry Kaufman at Salomon Bros that rates will be forced upwards at the end of the summer brought fresh falls in prices. There *was no immediate response to the news* from the White House that President Reagan is likely to sign the Tax Bill today, removing the 30 per cent withholding tax on foreign investment in U.S. securities.

In the stock market, IBM added an early $⅜ to $107⅝, still responding to the trading results.

Merck, leader of the U.S. pharmaceutical industry, managed a $¼ gain to $85⅛ after its results. *The stock has been* weak for some days after several analysts warned of competitive pressures ahead for Aldomet, the group's blood pressure drug which runs out of patent protection shortly.

Northrop, the aerospace and defence group, jumped $1¼ to $91, also in response to quarterly profits. Teledyne, $7¼ up at $239½, swung back into favour, and Digital Equipment, second only to IBM in data processing, held unchanged at $82⅛.

A strong spot was St Regis, which jumped $3 to $45 on strong rumours on the trading floor that Mr Rupert Murdoch planned a bid of $52 a share for 51 per cent of the equity – an official said Mr Murdoch had "no comment," and St Regis said it knew of no corporate news to account for the rise in the *stock.*

ITT remained depressed at $22¼, a fall of $⅛, with the market still awake to the chances of a bid at these levels. Unocol, another takeover favourite, held steady at $37¾ helped by the ground-*swell of rumour* that Standard Oil of Indiana might be interested.

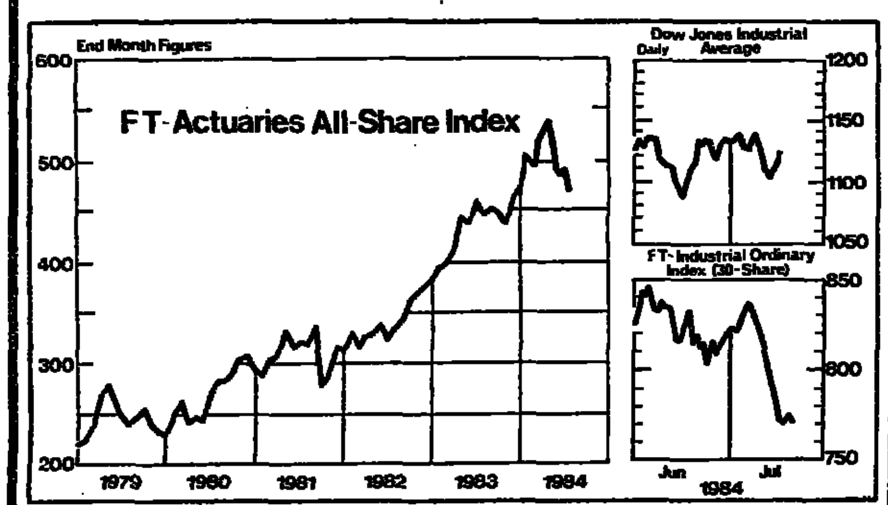
Walt Disney Productions, the centre of a host of market gossips since the successful raid on the company's coffers by Mr Saul Steinberg, jumped $1⅞ to $52⅝.

But activity centred on Trans World Air, which added $⅝ to $9¼ after Dr Julius Maldutis, airlines analyst at Salomon Bros, doubled his forecast of the group's earnings to $1.50 a share for the year.

With the federal funds rate still at 11⁷⁄₁₆ per cent, the credit markets could make no headway. Three month Treasury bills were discounted at 10.18 per cent, in line with the rates at the weekly auction, which was expanded to $13.2bn *in bills. Six-month discounts at 10.63 per* cent were three basis points above the auction level.

The bond market opened lower but prices steadied later in sluggish trading. At 100¹¹⁄₃₂, the key long bond of 2014 was ¹⁄₃₂ down. The chief feature of the market was the expected pricing of the first tranche of a $250m note offering for Citicorp, managed by Salomon Bros.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 17	Previous	Year ago
DJ Industrials	1,122.90	1,116.83	1,192.31
DJ Transport	462.95	460.60	561.31
DJ Utilities	125.49	126.88	130.21
S&P Composite	151.21*	151.59	164.29
LONDON			
FT Ind Ord	770.5	775.0	899.7
FT-SE 100	1,007.8	1,003.0	930.9
FT-A All-share	471.85	470.07	441.09
FT-A 500	508.03	506.23	478.66
FT Gold mines	537.8	553.9	648.6
FT-A Long gilt	11.21	11.20	10.70
TOKYO			
Nikkei-Dow	10,242.02	10,177.58	8,900.02
Tokyo SE	778.53	774.95	655.29
AUSTRALIA			
All Ord.	678.0	676.9	633.0
Metals & Mins.	420.3	421.5	585.7
AUSTRIA			
Credit Aktien	53.57	53.65	55.59
BELGIUM			
Belgian SE	141.69	141.85	128.64
CANADA	July 17	Prev.	Yr ago
Toronto			
Metals & Minls	1737.9*	1,749.1	—
Composite	2,167.8*	2,172.9	2,443.8
Montreal			
Portfolio	105.28*	105.29	121.83
DENMARK			
Copenhagen SE	186.54	187.30	158.60
FRANCE			
CAC Gen	166.2	168.7	125.4
Ind. Tendance	106.9	108.4	82.7
WEST GERMANY			
FAZ-Aktien	329.04	330.26	325.42
Commerzbank	945.9	953.8	966.7
HONG KONG			
Hang Seng	793.69	791.16	1,077.50
ITALY			
Banca Comm	207.55	208.99	191.11
NETHERLANDS			
ANP-CBS Gen	153.9	153.2	135.2
ANP-CBS Ind	124.2	123.8	109.7
NORWAY			
Oslo SE	245.38	239.61	192.6
SINGAPORE			
Straits Times	875.09	871.46	960.63
SOUTH AFRICA			
Golds	n/a	917.3	893.4
Industrials	n/a	984.3	919.3
SPAIN			
Madrid SE	127.11	126.62	119.65
SWEDEN			
J & P	1,481.35	1,474.55	1,392.81
SWITZERLAND			
Swiss Bank Ind	361.5	361.2	337.1
WORLD	July 16	Prev	Yearago
Capital Int'l	170.3	169.5	176.5

GOLD (per ounce)

	July 17	Prev
London	$346.50	$351.50
Frankfurt	$347.25	$350.50
Zurich	$347.25	$350.75
Paris (fixing)	$346.60	$354.51
Luxembourg (fixing)	$346.90	$352.50
New York (July)	$346.10	$348.50

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 17	Previous	STERLING July 17	Previous
$	-	-	1.3175	1.326
DM	2.8475	2.8255	3.755	3.74
Yen	242.7	240.55	321.0	318.75
FFr	8.7375	8.645	11.5275	11.49
SwFr	2.405	2.384	3.175	3.16
Guilder	3.213	3.1785	4.24	4.22
Lira	1745.25	1735.0	2303.0	2300.0
BFr	57.615	57.145	76.025	76.225
C$	1.33025	1.3265	1.7555	1.7585

INTEREST RATES

Euro-currencies (3-month offered rate)	July 17	Prev
£	12¼	12¹⁵⁄₁₆
SwFr	4¹⁵⁄₁₆	4⅞
DM	5¼	5⅝
FFr	12⅞	12¹¹⁄₁₆
FT London Interbank fixing (offered rate)		
3-month U.S.$	12⁵⁄₁₆	12
6-month U.S.$	12⅝	12⁹⁄₁₆
U.S. Fed Funds	11⅝	11⁷⁄₁₆
U.S. 3-month CDs	11.80	11.55
U.S. 3-month T-bills	10.18	10.01

U.S. BONDS

Treasury		July 17* Price	Yield	Prev Price	Yield
13	1986	100⁹⁄₃₂	12.93	100⁹⁄₃₂	12.84
13⅞	1991	101¹³⁄₃₂	13.36	101¹¹⁄₃₂	13.31
13¼	1994	98⅜	13.38	99⁹⁄₃₂	13.30
13¼	2014	100¹¹⁄₃₂	13.18	101⁹⁄₃₂	13.11
Corporate		July 17* Price	Yield	Prev Price	Yield
AT & T					
10⅜	June 1990	86¼	13.80	86⅛	13.80
3⅞	July 1990	71⅞	10.45	71	10.55
8¾	May 2000	67⅞	13.85	67⅞	13.85
Xerox					
10¼	March 1993	83⅞	14.00	83⅞	14.00
Diamond Shamrock					
10¾	May 1993	82½	14.15	82½	14.15
Federated Dept Stores					
10¾	May 2013	76¾	14.05	76¾	14.05
Abbot Lab					
11.80	Feb 2013	84⅞	14.05	84⅞	14.05
Alcoa					
12½	Dec 2012	84⅞	14.50	84⅞	14.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	62-12	62-21	62-09	62-28
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	89.23	89.25	89.20	89.30
Certificates of Deposit (IMM) $1m points of 100%				
Sept	87.74	87.80	87.71	87.85
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	87.64	87.70	87.61	87.83
20-year Notional Gilt £50,000 32nds of 100%				
Sept	99-06	100-10	99-05	100-12

COMMODITIES

(London)	July 17	Prev
Silver (spot fixing)	562.85p	574.05p
Copper (cash)	£1004.50	£1015.50
Coffee (July)	£2217.50	£2184.00
Oil (spot Arabian light)	$27.47	$27.57

TOKYO

Adverse factors overridden

THE 10,200 level on the Nikkei-Dow market average was regained in Tokyo yesterday in what securities company officials described as a "money game," *writes Shigeo Nishiwaki of Jiji Press.*

A plethora of unfavourable factors made it difficult to identify suitable issues for investment. Speculators sought small-capital cash-traded issues and scarce stocks to take the leading indicator to 10,242.02, up 64.44.

Volume expanded to 300.32m shares from 242.73m. Advances outpaced declines 397 to 297, with 168 issues unchanged.

Blue chips firmed, influenced by light purchases of Hitachi and other issues by Nomura and Nikko investment trust management companies. Hitachi climbed Y6 to Y817, and NEC Y10 to Y1,160. High-priced blue chips also surged, with TDK advancing Y150 to Y4,650 and Pioneer Electronic Y80 to Y2,550.

But many participants believed blue chips would not become pace-setters, as foreign investors remained net sellers in early trading with their sell orders placed with major securities houses amounting to 20m shares against buy orders for 10m shares. Also negative was the settlement, scheduled for August and September, of blue chips bought on *margin between January and March.*

In addition, biotechnology stocks remained out of favour after leading the upward pace of the market in June.

But Copal and Shintokogio posted maximum allowable daily gains, rising Y100 each to Y939 and Y766 respectively. Nippon Kayaku and Nippon Gakki, both scarce stocks, soared a respective Y22 to Y659 and Y90 to Y730. Conversely, Riccar fell Y15 to Y157 on volume of 7.73m shares, the day's fifth largest.

Nippon Mining remained the most active at 19.72m shares, but weakened Y13 to Y494, while Mochida Pharmaceutical lost Y310 to Y6,860 after spurting Y170 on Monday. Nippon Mining was followed by Asahi Chemical with 9.90m shares, down Y1 at Y619, and Morinaga with 9.04m, Y12 off at Y428.

The bond market eased somewhat in extremely dull trading on the yen's weakness against the dollar in Tokyo, despite persistent expectations of buying operations by the Debt Consolidation Fund to clear the way for the issue of 10-year government bonds held over from June and July.

Some city banks and insitutional investors issued small-lot buy orders, while investment trust management companies placed light buying orders. The yield on the barometer 7.5 per cent government bond maturing January *1993 increased slightly to 7.445 per cent* from 7.440 per cent.

AUSTRALIA

EARLY GAINS were built in Sydney on the back of a firmer bullion price, and after some profit-taking around midsession as sellers moved into the rising market, shares again managed an advance as buyers reappeared.

Boral continued its purchases of Oil Company of Australia shares: in partly-paid form these were steady at the offer price of 90 cents with about 5.71m traded for a value of around A$7.14m. Boral added 2 cents to A$3.42.

Elsewhere, Elders IXL shed 5 cents to A$3.80 as plans were announced for it to offer 6.25m shares in Australia's largest gold project, the Kidston gold mine, at A$1.60 each.

EUROPE

The sceptics still hold sway

A SCEPTICAL attitude remained on the European bourses yesterday to the course of trading on Wall Street, and no great encouragement was drawn from the firmer New York result overnight, coming as it did after a day of jittery oscillations.

Bourse volume was on the low end of recent levels, but a smattering of foreign buying was in evidence in centres which have suffered the more severe of the past month's setbacks.

This was particularly true of **Frankfurt,** but the overseas interest was not *sufficiently active or widespread to* bring an overall enhancement of market values. The Commerzbank index shed 7.9 to 945.9.

Such institutional demand as there was centred on the engineering sector. *Linde picked up DM 5.80 to DM 353.80,* and Deutsche Babcock DM 1 to DM 142. The car makers, however – also now free from the shackles of the industry-wide strike campaign – failed to respond. Porsche dipped DM 5 to DM 945.

Retailer Karstadt, moving from a DM 7 dividend, ended at DM 228 against DM 230. Also being accounted for was news given to the annual meeting on Monday of a cut in first-half turnover.

A *weaker domestic bond market tone* nonetheless allowed the Bundesbank to sell DM 6.1 in paper.

Divergent **Amsterdam** movements were attributed mainly to position adjusting by professionals, with no clear impetus. ABN was weakest of the banks, off Fl 299, while Ned Mid firmed 50 cents to Fl 129.

Unilever managed a Fl 1.70 gain at Fl 253, but Philips, despite healthy results *from its North American unit, slipped 30* cents to Fl 45.20.

Bonds eased 10 to 20 basis points to stand at 1984 lows.

Profit-takers dominated **Paris** despite *bullish indications for the economy.* The Indicateur de Tendence shed 1.5 to 106.9, while among the few firm spots were Moët-Hennessy, FFr 26 higher at FFr 1,636, and Matra, up FFr 25 to FFr 1,390.

But Bongrain shed FFr 20 to FFr 1,620, and Club Med FFr 18 to FFr 892.

The first day of a new **Milan** account boosted activity, but moves ex-dividend by several leading issues restrained an advance. Insurer Generali, however, finished at L33,500 from L33,010 despite making its payout, and the after-hours tone was firm all round.

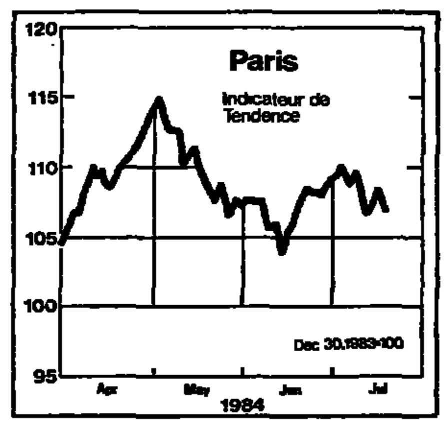
Treasury issues made selective gains.

Banks and insurers were favoured in **Zurich,** but industrials lagged behind on interest rate fears. Jacobs Suchard fell SwFr 75 to SwFr 5,900, although Sandoz managed a SwFr 100 rise to the SwFr 7,000 mark. Bonds held steady.

Record industrial output figures aided a **Stockholm** rally in which a revival in foreign buying was detected – particularly in Volvo, although the car maker held unaltered at SKr 254.

Electronics group Acec led **Brussels** higher with a BFr 36 surge to BFr 638, attributed to a licensing deal with Ericsson of Sweden.

Utilities led **Madrid** higher, but banks were weak.



SOUTH AFRICA

SHARP falls were suffered by Johannesburg gold shares as the bullion price *remained depressed, though trading* volume was low.

Vaal Reefs shed R6 to R148, and Randfontein R3 to R168 while in mining financials, mirroring golds, Anglo-American fell 20 cents to R21.80. De Beers dipped 15 cents to R8.75, and Impala Platinum 20 cents to R17.80.

Industrials continued their weaker trend as the Reserve Bank warned that further interest rate increases could not be ruled out.

SINGAPORE

A MIXED CLOSE was seen in Singapore after a trading session punctuated by bouts of bargain-hunting and profit-taking.

The Straits Times industrial index added 3.63 to 875.09, with some of the demand attributed to the view that the market had been oversold last week.

However, the recently depressed Singapore Land, the property development company, added 8 cents to S$3.38.

Elsewhere, Pan Electric again headed the actives list, adding 10 cents to S$2.42.

LONDON

Impasse at the ports depresses

LEADING shares showed little change from overnight levels for much of the session in London, although late indica-*tions of an impasse in talks to resolve* the docks strike brought a weaker closing tone.

Earlier in the day, interest centred on Thorn EMI's surprise announcement of a £136m rights issue, taking the shares to a low for the year of 410p before a subsequent rally left the quotation 42p down on the day at 421p.

The funding announcement followed a depressing spell in the share price since the announcement of preliminary results and the proposed £95m Inmos bid last Thursday.

The FT Industrial Ordinary index ended 4.5 off at 770.5, with Thorn's downturn accounting for 2.4 of the setback.

Government bonds had a cautious session, with quotations trading around ⅛ to ¼ below overnight closing levels before easing further in late dealings.

Chief price changes, Page 26; Details, Page 27; Share information service, Pages 28-29

HONG KONG

LOWER local interbank rates and the steady domestic currency underpinned Hong Kong after Monday's sharp advance from the nine-month lows of last week.

The Hang Seng index added 2.53 to 793.69 as some late profit-taking pared the 7.82 advance seen at the end of morning trading.

Hongkong Wharf and Sun Hung Kai Properties each rose 5 cents to HK$3.07 and HK$4.65 respectively, while Jardine Matheson rose 10 cents to HK$6.30.

Cheung Kong and Swire Pacific were both unchanged at HK$6.85 and HK$13.80 respectively, while Hongkong Land eased 2.5 cents to HK$2.25 and Hongkong Bank shed 10 cents to HK$5.45.

CANADA

CONTINUED WEAKNESS in the golds sector continued to lead Toronto lower with weakness also evident in base metals and minerals and the oil and gas issues.

Montreal also tended easier, with lower utilities and banks offsetting marginal advances among industrials.

Closing prices, July 17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	13¾	AAR	.44	2.2	21	41	20½	20½	20½	+⅛
22	14⅛	AMCA	n.1	7.0		1	14¼	14¼	14¼	−¼
18⅞	13⅜	AMF	.50	3.1		265	16⅛	15⅞	15⅞	
41¾	26⅝	AMR Cp			4	4969	28¼	27½	27½	−½
20⅝	17¼	AMR	pf2.18	11		12	19¼	19¼	19¼	+¼
41½	29⅝	AMR	pf2.13	7.1		162	30⅝	29⅝	30	
25½	23	ANR	pf2.67	12		1	23⅛	23⅛	23⅛	
16¾	9⅝	APL			4	8	10½	10⅜	10⅜	
55¼	40⅛	ARA	2.10	4.1	11	1936	53	51⅜	51⅜	−2
72⅞	49½	ASA	3a	6.0		525	50⅝	50	50⅜	−⅜
30⅝	17	AVX	.32	1.7	15	28	19⅝	19⅜	19⅜	−⅛
53⅜	38¼	AbtLab	1.20	2.9	14	1519	42	41⅜	41⅞	−⅛
30⅝	23½	AccoWd	.60	2.1	18	587	29¼	28⅜	29	−⅛
27¼	14⅞	AcmeC	.40	2.6		23	15⅜	15	15⅜	+⅛
12⅜	8¼	AcmeE	.32b	3.5	25	37	9½	8⅞	9⅛	+⅛
24⅞	11	AdmDg	.04	.3	7	9	12⅜	12¼	12⅜	+⅛
16⅜	15	AdaEx	2.11e	14.		21	15½	15⅜	15½	+⅛
19¾	12½	AdmMl	.28	2.2	6	42	13⅛	12⅞	13	−⅜
22	13½	AdvSys	.81t	5.3	15	16	15½	15⅜	15⅜	−⅛
18¾	7⅜	Advest	.12	1.4	11	51	8⅝	8⅜	8⅝	−⅛
37½	25⅛	AMD	s		17	2722	30⅛	29½	29¾	−⅛
22½	9⅞	Aerflex			10	242	11½	10⅞	11⅛	−¼
[illegible]										

Continued on Page 25

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, July 17

12 Month High	12 Month Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
3⅞	1¼	AICPh				49	1¼	1¼	1¼	
16½	8⅞	ALLab	n		12	3	9⅜	9⅜	9½	+ ⅛
6⅜	2⅝	vjAMIn				71	3	2⅞	2⅞	− ⅛
4⅞	⅞	ATI				64	15-16	⅞	⅞	− ⅛
64	58	ATTFd	n3.68e	5.8		84	63½	62⅞	63½	+ 1½
19⅜	12	AcmU	s .32	2.7	12	9	12	d11⅞	11⅞	− ⅛
16⅞	9⅝	Acton			10	91	15⅜	15⅛	15⅛	
9⅝	5½	Acton s				72	6⅝	6½	6⅝	
4⅞	1⅞	Actn	wt			15	1⅞	1⅞	1⅞	− ⅛
5⅞	2⅞	AdmRs			5	117	2⅝	2½	2½	
28½	15⅞	AdRusl	s.10	.5	11	37	19⅜	18⅞	19⅜	+ ⅛
28⅞	16⅞	Adobe	.24	1.3	12	285	17⅞	17	17⅞	+ ⅞
6⅞	3½	AegisCp			15	7	5¼	5¼	5¼	
6⅛	4	Aeronca			7	14	5⅛	5⅛	5⅛	
29⅜	18⅜	AffHosp	.44	2.2	8	1	19⅝	19⅝	19⅝	− ⅛
17¼	9⅝	AlrSix	.12e	.9	10	5	14	14	14	+ ⅛
14⅜	5⅞	AirExp				130	9	8⅞	8⅞	+ ⅛
5⅞	3⅞	Alamco			8	5	4⅛	4⅛	4⅛	
20½	9⅜	Albertf	.20e	2.1	6	1	9⅜	9⅜	9⅜	
22⅞	12⅛	Alphain	.05	.4	18	18	14⅛	13⅞	14	+ ⅛
2⅞	⅞	Altex				30	1	⅞	⅞	
11-16	⅛	Altex	wt			25	⅛	⅛	⅛	
32½	11⅝	AlzaCp			65	47	14⅛	14⅛	14⅛	+ ⅛
26⅜	9⅜	Amdahl	.20	2.0	11	1876	10	d9½	10	+ ⅛
23	12	Amedco	.08	.6	14	141	13⅛	12⅞	12⅞	− ½
7⅛	4⅛	AmBilt	.15	3.0	9	7	5	5	5	
9⅝	2⅞	AmCap				19	5	4⅞	4⅞	− ⅛
39⅜	13⅛	AExp	wt			62	15	14⅛	14⅛	− ⅛
9⅜	4½	Alsrael				25	4½	4½	4½	
18½	14⅛	AMzeA	.52	3.1	9	26	16⅞	16⅞	16⅞	+ ⅛

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

X–Y–Z

12 Month High	12 Month Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
52⅛	36	Xerox	3	8.0	9	3171	37½	37	37⅛	+ ⅛
51¼	45¼	Xerox	pf5.45	12		63	46⅞	46½	46⅞	+ ⅞
37	20⅛	XTRA		3.2	8	4	20½	20⅛	20⅛	
34	24	ZaleCp	1.26	4.6	9	625	28½	27¼	27¼	+ ⅛
24⅞	15⅛	Zapata	.84	5.1	10	307	16⅞	16	16⅝	+ ⅛
47½	28⅛	Zayre	.40b	1.1	11	135	37⅛	36⅜	36⅜	− ½
38⅝	22½	ZenithE			9	3529	23	d22	22⅛	− ⅛
27½	18	Zero	s .36	1.7	17	100	21⅛	21	21⅛	− ⅛
34	21⅛	Zurnin	1.32	5.3	13	186	25	24⅛	24⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

July 17	Price Sch%	+ or —
Creditanstalt	205	—4
Goesser	330	+9
Interunfall	398	......
Laenderbank	206	......
Perlmooser	339	+3
Steyr-Dimlera	141	......
Veitscher Mag	216	—1

BELGIUM/LUXEMBOURG

July 17	Price Frs.	+ or —
ARBED	1,438	—2
Banq Int A Lux	5,050	...
Bekaert B	3,880	—30
Ciment CBR	2,325	......
Cockerill	229	+4
Delhaize	4,895	......
EBES	2,435	+15
Electrobel	6,800	+20
Fabrique Nat	1,805	—5
GB Inno BM	3,110	+5
GBL (Brux)	2,185	—10
Gevaert	3,125	......
Hoboken	5,100	—10
Intercom	1,875	+15
Kredietbank	6,890	......
Pan Hldgs.	93,00	......
Petrofina	6,600	—60
Royale Belge	9,340	+40
Soc. Gen. Banq	2,980	......
Soc. Gen. Belge	1,610	—5
Sofina	6,050	—5
Solvay	3,505	—5
Tractionel	3,455	......
UCB	4,375	+25
Vieille Mont	4,040	—30

DENMARK

July 17	Price Knr %	+ or —
Aarhus Olie	445	......
Andelsbanken	217xd	—4
Baltic Skand	700	+10
CopHandelsbank	240	......
D. Sukkerfab	650	—5
Danske Bank	233	......
East Asiatic	198	—4
Forenede Brygg.	900	......
Forenede Damp.	111xr	—2
GNT Hldg.	475	......
I.S.S.B.	550	......

GERMANY

July 17	Price Dm.	+ or —
AEG-Telef	88.5	—0.7
Allianz Vers	756.5	+0.5
BASF	150	......
Bayer	154.6	—1.4
Bayer-Hypo	258.5	—2.5
Bayer-Verein	299	—3
BHF-Bank	232	—5
BMW	363.5	—3.5
Brown Boveri	205.5	—2
Commerzbank	147.2	—0.8
Cont'l. Gummi	112.1	+0.6
Daimler-Benz	523	+1
Degussa	346	—11
D'sche Babcoc	142	+1
Deutsche Bank	323.7	—4.3
Dresdner Bankk.	147.3	—0.4
GHH	129.5	......
Hochtief	510	......
Hoechst	161.2	—0.3
Hoesch Werke	97.1	......
Holzmann (P)	435	......
Horten	164.5	—1.0
Kali und Salz	214	—0.2
Karstadt	228xd	—1
Kaufhof	201	—2.8
KHD	224.5	+0.7
Kloeckner	53	—0.8
Krupp	77.5	......
Linde	353.8	+5.8
Lufthansa	140.1	—0.9
MAN	133	—3.5
Mannesmann	132.9	—0.6
Mercedes Hld.	461	—2
Metallgesell	213	—7
Muench Rueck	1,020	—30
Preussag	235	—5
Rhein West Elect	155.1	—0.9
Rosenthal	239	......
Schering	320.5	......
Siemens	373	—1.5
Thyssen	72.5	—1.5
Varta	170	......
Veba	162.7	—1.3
V.E.W	114	—0.2
Verein-West	286	......
Volkswagen	170	—2

ITALY

July 17	Price Lire	+ or —
Banca Com'le	17,000	—170
Bastogi-IRBS	142	+5
Centrale	2,120	+30
Credito Varesino	3,985	......
Fiat	4,005	—34
Finsider	38	+1
Generali Assicur	33,500	+490
Invest	3,009	—39
Italcementi	47,600	......
Montedison	1,115	......
Olivetti	5,170	+20
Pirelli Co	3,036	+36
Pirelli Spa	1,699	+14
Snia BPD	1,550	—13
Toro Assic.	11,090	+90
do. Pref.	8,750	+180

NETHERLANDS

July 17	Price Fls	+ or —
ACF Holding	159.4	+0.4
AEGON	114.3	+0.3
Ahold	179	+0.2
AKZO	82.1	—0.3
ABN	299	—5
AMEV	153.5	+0.8
AMRO	54.6	—0.6
Bredero Cert.	171.5	—1.5
Bos Kalis Westm.	30	—0.1
Buehrmann-Tet.	65	......
Calland Hldgs.	36.5	+0.3
Credit Lyon'is Bk	46.7	—0.3
Elsevier-NDU	84	+1.3
Gist. Brocades	139.3	—0.5
Heineken	126.2	—0.3
Hoogovens	47.2	—0.1
Hunter Douglas	28.4	......
Int Mueller	33.2	—0.7
KLM	161	+0.5
Naraden	37	......
Nat Ned Cert.	206.2	—0.5
Ned. Credit Bank	40	......
Ned Mid Bank	129	+0.5
Nedlloyd	106	......
Oce Grinten	227	+1.5
Ommeren Van.	26.1	—0.4
Pakhoed	57.0	......
Philips	45.2	—0.3
Rijn-Schelde	2.9	+0.1
Robeco	60.5	—0.2
Rodamco	130.6	+0.1
Rolinco	56.6	—0.6
Rorento	199.7	......
Royal Dutch	150	+1
Unilever	253	+1.7
VMF Stork	121.2	+0.4
VNU	148	—0.5
West Utr Bank	78.5	—0.5

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

JAPAN (continued)

July 17	Price Yen	+ or —
TBS	740	+30
Tokyo Elect Pwr.	1,090	+30
Tokyo Gas	144	—1
Tokyo Sanyo	670	+19
Tokyo Style	710	—6
Tokyu Corp	265	+9
Toppan Print	758	—4
Toray	405	—5
Toshiba Elect	383	+10
TOTO	585	+15
Toyo Seikan	750	—10
Toyota Motor	1,250	......
Victor	2,100	—80
Wacoal	751	—9
Yamaha	515	+13
Yamanouchi	1,250	+20
Yamazaki	662	—8
Yasuda Fire	274	—1
Yokogawa Bdge.	415	+5

SINGAPORE

July. 17	Price $	+ or —
Boustead Hldgs.	2.07	+0.02
Cold Storage	3.06	+0.06
DBS	7.90	+0.05
Fraser & Neave	5.05	......
Genting	4.78	+0.08
Haw Par. Bros	2.03	......
Inchcape Bhd.	2.62	+0.02
Keppel Shipyard	2.08	+0.01
Malay Banking	8.10	......
Malay Brew	6.60	......
Multi Purpose	1.11	—0.02
OCBC	9.35	+0.01
OUB	4.08	+0.04
Sime Darby	2.03	—0.02
Straits St'mship	1.42	—0.01
Straits Trdg.	4.90	......
UOB	4.40	......

SOUTH AFRICA

July. 17	Price Rand	+ or —
Abercom	1.75	......
AE & CI	8.35	......
Anglo Am Coal	30.3	......
Anglo Am Corp	21.8	—0.2
Anglo Am Gold	146.75	—2.75
Barclays Bank	18.5	......
Barlow Rand	12.3	—0.15
Buffels	67.5	—1
CNA Gallo	2.6	......
Currie Finance	4.6	......
De Beers	8.75	—0.15
Driefontein	45.25	—1.5
FS Geduld	45.25	—1.5
Gold Fields S.A.	25.75	......
Highveld Steel	4.8	......
Nedbank	12.3	—0.1
OK Bazaars	16.5	......
Protea Hldgs	1.8	......
Rembrandt	26.75	+0.25
Rennies	13	—0.5
Rust. Plat.	13.3	—0.2
Sage Hldgs	7.5	......
SA Brews	6.60	—0.15
Smith (C.G)	18.75	......
Tongaat Huletts	9.6	—0.1
Unisec	5.05	......

CANADA

TORONTO

Closing prices July 17

MONTREAL

Closing prices, July 17

OVER-THE-COUNTER

Nasdaq national market, closing prices

LONDON

Chief prices changes
(in pence unless otherwise indicated)

RISES

Bairstow Eves	84	+ 4
Bevan (D.H.)	18	+ 2
BAe	326	+18
Connells	98	+ 6
Davies & Newm.	150	+ 7
Ellis & Everard	185	+ 7
Hambro Life	372	+10
Lloyds Bank	442	+ 7
P&O Defd.	296	+ 5
Pilkington	285	+20
Polly Peck	192	+17
Pratt (F.)	46	+ 5
Siebe Gorman	380	+18
Sumrie Clothes	85	+ 7
Toye	130	+ 7
Wight Collins	400	+25
Anvil Petroleum	83xr	+ 9½
BP	456	+13
Sovereign O&G	245	+20

FALLS

ABP	198	— 6
Bowater	228	— 9
Hanson Trust	195	— 6
Hawker Sidd.	408	— 6
Smiths Inds.	498	— 12
Sommerville	165	— 15
Thorn EMI	421	— 42
Eglinton O&G	166	— 19
ConsGold	485	— 15
De Beers Defd.	445	— 19
Southvaal	£35	— £1⅞

Continued on Page 34

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

LONDON STOCK EXCHANGE

MARKET REPORT

Equities quietly dull following dock strike impasse; Thorn EMI plummet on cash call

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23
July 16	July 26	July 27	Aug 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

An extremely quiet trading session in London financial markets yesterday was enlivened in the early dealings by Thorn EMI's surprise announcement of a £136m rights issue.

This prompted a further sharp reaction in Thorn EMI which plummeted to a new low for the year of 410p before a rally left the quotation 42 down on the day at 421p, which compares with this year's high of 698p. The funding announcement followed a particularly depressing spell in the share price since announcing preliminary results and the proposed £95m Inmos bid last Thursday. Part of the issue will be used to fund the takeover.

Meanwhile, leading shares rarely strayed from previous closing levels until the after-hours dealings when news of an apparent impasse in the dock strike talks caused a slight deterioration in the late trend.

Down 3.9 at the 3.00 pm calculation, the Financial Times Industrial Ordinary share index extended the fall to 4.5 at the close of 770.5. The loss of 42 in Thorn EMI accounted for 2.4 of the setback in the index.

Elsewhere, interest centred mainly on the current speculative favourites, while companies reporting trading statements provided the occasional feature.

The overnight setback in U.S. bonds which followed the American consumer credit figures and Dr Henry Kaufman's warning on interest rates made for a cautious session in Government securities. Quotations traded quietly around ⅛ to ¼ below overnight closing levels before easing further in the late dealings on details of the latest situation in the docks dispute. Although well received, the afternoon announcement of the UK June Public Sector Borrowing requirement figure of £1.08bn made little impact on sentiment.

Clearers up again

Clearing banks continued their recent recovery, still drawing encouragement from the increased lending charges. Buyers were also starting to show interest ahead of the forthcoming interim dividend season. Midland, which is the first to report half-year figures on July 26, improved a few pence more to 333p. NatWest closed 10 higher at 625p and Lloyds added 7 at 443p, while Barclays firmed 5 to 470p.

Life issues provided the main interest in Insurances. Details of the Government's new personal pension proposals and a good set of new life business figures from Hambro Life, up 10 at 372p, attracted buyers to the sector. Similar improvements were seen in Prudential, 465p, and Sun Life, 640p. Among Composites, Phoenix, in receipt of an agreed 650p per share cash offer from Sun Alliance, relinquished 5 to 620p following a denial from Allianz of any counter-bid intentions; SA closed unaltered at 358p.

Entertainment Production Services made a subdued debut in the Unlisted Securities Market; with 92 per cent of the offer left with underwriters, the shares opened and closed at 50p, an 8p discount to the offer price. Among other recently-issued counters, TDS Circuits advanced to 398p before settling 5 dearer on balance at 393p.

Leading Breweries made fresh progress although business was again described as thin. Bass advanced 7 to 352p, while Allied-Lyons, 152p, and Whitbread, 160p, firmed 3 and 4 respectively.

Leading Buildings fluctuated narrowly in thin trading before drifting off to close a shade easier on balance. Elsewhere, William Leech shed 5 to 115p after a statement from C. H. Beazer reaffirming that its 145p per share cash bid will not be increased; the offer closes on Friday. Ward Holdings attracted revived speculative support and firmed 3 to 131p, while H.A.T. Group hardened a couple of pence to 100p following the satisfactory annual results. After Monday's gain of 8, Milbury added 2 more to 90p, in response to the near four-fold increase in annual profits. Leyland Paint gained 1½ to 27½p awaiting news from the annual meeting.

Business in ICI contracted sharply, and the shares closed without alteration at 534p, after 538p.

Sumrie rally

Stores again paid little heed to June's encouraging provisional retail sales. Dealers reported a modest two-way trade and the leaders finished no better than mixed. Gussies "A" rose 5 more to 495p, and Burton 2 at 217p, but Woolworth gave up a few pence to 417p. A shade firmer initially, MFI eased slightly to 133p on the announcement of preliminary profits that matched most market estimates before reverting to close unchanged at 135p. Fashion boutique chain Warehouse improved 20 to 340p on the increased annual profits and dividend. Speculative support was noted for Bremner, 4 up at 44p, Moss Bros, 5 dearer at 265p and Vantona Viyella, 6 better at 201p. Down 9 on Monday, Sumrie Clothes rallied 7 to settle at 85p following the announcement that Mr Harvey Michael Ross had sold 200,000 shares to Anglo European Investment and Development, an associate of Le Chabalerique of Monaco which now has effective control over almost 29 per cent of Sumrie's equity.

Leading Electricals drifted lower in sympathy with Thorn EMI. Plessey softened a couple of pence to 196p, after 194p, while GEC eased the same amount to 180p as did BICC to 218p. Elsewhere, Ward and Goldstone reflected speculative support with a rise of 3 at 105p. Crystalate hardened 2 to 228p on talk of an imminent deal concerning its Royal Worcester subsidiary. Philcom added 2 to 46p following news of the disposal of its Rank Philcom video group interests.

Secondary Engineerings provided several firm features. F. Pratt stood out with a rise of 5 to 46p in response to the strong interim profits recovery, while D. F. Bevan added 2 to 18p following the return to profitability. Revived speculative support lifted Belgrave (Blackheath) 7 to 132p and MS International 3 to 39p. Cronite improved 2 to 20p and Baker Perkins rallied 4 to 126p.

After Monday's gain of 20 on a combination of overseas and domestic buying, bid favourite Rowntree Mackintosh again traded briskly; the shares reacted to 282p on profit-taking before renewed support left the close just a couple of pence cheaper on balance at 286p. Other leading Foods attracted selective support with Tate and Lyle and S. and W. Berisford firming 3 apiece to 330p and 164p respectively. Elsewhere, USM-quoted Freshbake, which recently announced acquisitions worth some £6m, moved up 4 to 100p, while Amos Hinton added 3 more to 328p awaiting news of the merger approach.

Among Hotels and Caterers, Kennedy Brookes attracted fresh support and touched 275p before closing a net 8 up at 217p. Rowton firmed 5 to 328p.

Pilkington jump

Vague takeover rumours and buying in belated response to Press comment helped Pilkington up 20 at 265p, after 268p, resist the dull trend of other miscellaneous indstrial leaders. Bowater, however, fell 9 to a new low for the year of 228p on fears of about a prolonged docks stoppage. Hanson Trust lost 6 at 195p as did Metal Box to 290p. Elsewhere, British Aerospace at 326p, retrieved 16 of the previous day's late fall of 17 which followed the Board's decision to discontinue bid discussions with GEC. Siebe Gorman advanced 18 to 380p on the 82 per cent annual profits increase, while Davies and Newman gained 7 to 150p following speculative buying. Demand of a similar nature also prompted a rise of 17 to 192p in Polly Peck, while Cornell added 15 to 185p *in sympathy*. European Ferries hardened 2½ to 95p after shareholders had given approval to the Board's revised plan to limit the growth of its concessionary fare scheme. Thomas Jourdan improved 2 to 84p in belated response to acquisition details but the after-hours news of the stalemate in the *docks strike talks left* Associated British Ports 6 lower at 198p. Still reflecting the poor results, Vinten gave up 4 more for a two-day decline of 18 at 240p. Smiths Industries lacked support and fell 12 to498p.

Among Leisure issues, First Leisure hardened a penny to 163p on the return to profitability, while A & M Hire gained the turn to 15p following acquisition news. Late support lifted MCME *Facilities 4 to47p.*

Publishers continued to lose ground. Fading bid prospects in the wake of Mr Robert Maxwell's takeover of the Mirror Group prompted increased profit-taking in Fleet Holdings which eased 3 to 165p. Elsewhere contrasting features were evident in advertising agency Wight Collins Rutherford Scott, which advanced 25 to 400p following the 85 per cent preliminary profits expansion and 1-for-1 scrip issue. Paper makers William Sommerville, on the other hand, slumped 15 to 165p after revealing reduced full-year earnings.

Apart from Great Portland Estates, which encountered occasional selling and slipped 4 to 144p, leading Properties held close to overnight levels. Secondary issues met with a revival of interest in estate agents. Connells firmed 6 to 93p and Bairstow Eves gained 4 to 84p.

Shippings were resilient to events at Acas and generally settled at the day's best, where altered. P & O Deferred attracted revived speculative demand and advanced to 299p before settling 5 up on balance at 296p.

Among otherwise idle Tobaccos, Rothmans International rose 5 to 134p in front of tomorrow's preliminary results.

BP gain ground

Leading Oils made further good progress led by BP which advanced 13 to 456p—a rise of 26 over the past three trading days—following a bullish circular from brokers Scrimgeour Kemp-Gee. LASMO were also prominent and closed 11 higher at 286p, while Britoil rose 5 to 230p and Burmah 3 to 173p. IC Gas spearheaded a firm market in secondary issues and put on 11 to 278p. Saxon Oil and Sovereign Oil jumped 20 apiece to 330p and 245p respectively. Quoted in ex rights form Anvil Petroleum moved up 9½ to 83p and the new shares closed at 32p premium, having opened at 25p premium.

Irish stocks remained a highly volatile market. Eglinton initially dipped to 155p before rallying to 175p and closing a net 19 lower at 168p, while Bryson were finally 32 down at 398p.

American Oil Fields Systems, a weak market in recent days, rallied a couple of pence to 14p following news that Warburg Investment Management has increased its stake to 26.13 per cent. Australian oils were much quieter and tended to lose ground after the excitement that followed the Boral bid for Oil Company of Australia on Monday. Santos fell 10 to 354p and Claremont 2 to 104p but Brunswick Oil were a firm feature and jumped 5 to 29p, after 30p.

Golds lose ground

The disappointing performance by the bullion price in the U.S. overnight arrested the recent upturn in the London gold market and in turn prompted widespread selling throughout mining markets.

South African Golds were vulnerable and fell away from the outset in the wake of persistent selling from Johannesburg.

Dealers reported light support from the Continent, and in after-hours trading from the U.S., but most issues closed at or around the day's lowest levels.

The Gold Mines index gave up 16.1 to 537.8 while bullion closed a net $3.75 easier at $347.75 an ounce.

In the leaders Vaal Reefs were a weak market ahead of the interim dividend and quarterly report expected late on Thursday and dropped £2½ to £63¼ while Southvaal, also reporting on Thursday, fell £1½ to £35. East Rand Proprietary dipped 57 to 897p and Durban Deep a half-point to £16 following the lower profits in the June quarter.

South African Financials mirrored Golds. De Beers reflected substantial selling from Johannesburg and retreated to close 19 down at a 1984 low of 445p. Platinums showed Impala 35 off at 890p and Rustenburg 20 cheaper at 680p.

Charter Consolidated remained the focus point in UK-domiciled Financials; quietly steady around 213p for most of the day the shares improved in after-hours trading to close a net 9 to the good at 221p, a two-day gain of 24.

The easier gold price unsettled Consolidated Gold Fields which dipped 15 to 485p, while Rio Tinto-Zinc and Hampton Areas lost around 3 apiece at 542p and 170p respectively.

Australians turned easier after two days of good gains. Gold Mines of Kalgoorlie gave up 10 to 440p and Poseidon 5 to 203p while North Kalgurli eased 2½ to 44½p in the wake of the progress report that accompanied the rights issue document.

Demand for Traded Options continued to decline with total contracts struck amounting to only 2,212—the lowest since the first trading session of the month. Even the FTSE 100, which has attracted substantial business since its introduction in May, failed to enliven proceeding, managing to record a meagre 220 trades. P & O Deferred returned to favour with 157 calls transacted, 116 done in the August 280's. On the put front, Hanson Trust attracted 204 contracts with the majority struck in the December 180's, while Lonrho recorded 212 trades.

FINANCIAL TIMES STOCK INDICES

	July 17	July 16	July 13	July 12	July 11	July 10	year ago
Government Secs ...	76.79	76.81	76.74	76.44	76.53	76.47	80.32
Fixed Interest ...	81.00	80.94	81.01	80.97	81.10	81.55	83.18
Industrial Ord. ...	770.5	775.0	770.7	771.1	782.0	793.0	699.7
Gold Mines ...	537.8	553.9	549.2	539.8	532.8	560.1	648.6
Ord. Div. Yield ...	5.16	5.12	5.15	5.11	5.04	4.99	4.61
Earnings, Yld.% (full)	11.97	11.89	11.96	11.88	11.71	11.58	9.17
P/E Ratio (net) (*) ...	10.04	10.11	10.05	10.12	10.26	10.38	13.58
Total bargains (Est.)	18,526	19,547	21,584	16,855	19,581	17,627	21,101
Equity turnover £m.	—	215.13	283.83	322.44	291.88	208.46	196.81
Equity bargains ...	—	14,093	17,695	16,800	15,708	14,302	15,935
Shares traded (m) ...	—	122.1	167.9	171.9	175.1	113.7	123.1

10 am 774.1. 11 am 772.1. Noon 771.3. 1 pm 771.4. 2 pm 771.3. 3 pm 771.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 9.60.

HIGHS AND LOWS — S.E. ACTIVITY

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	76.44 (12/7)	127.4 (9/1/35)	49.48 (3/1/75)
Fixed Int.	87.48 (14/3)	80.94 (16/7)	155.4 (28/11/47)	50.03 (3/1/75)
Ind. Ord.	922.8 (8/3)	770.5	922.8 (8/3/84)	49.4 (26/6/40)
Gold Mines	711.7 (5/3)	520.2 (17/7)	754.7 (15/2/83)	43.5 (26/10/71)

	July 16	July 13
Daily Gilt Edged Bargains ...	191.3	186.7
Equities Bargains ...	91.3	114.6
Value ...	434.8	573.7
5-day Average Gilt Edged Bargains ...	172.4	164.4
Equities Bargains ...	101.8	104.0
Value ...	534.4	582.5

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Tue July 17 1984

FIXED INTEREST

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
B.-nros. Mack.	21	298	+20
DDT Grp. New	18	148	—
Ass. Brit. Ports	17	204	+ 1
ICI	15	534	+ 2
Leech (Wm.)	15	120	+ 5
Midland Bank	13	330	+12
Pilkington Bros.	13	245	+15
Ultramar	13		
Glaxo	12	855	+ 2
NatWest Bank	12	615	+ 7
BP	11	443	+ 8
Cable Wireless	11		
Lloyds Bank	11	436	+ 5
RTZ	11	545	+13

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (10)

AMERICANS (2) Campbell Soup, Pac. Serv. Elec. & Gas

BANKS (1) Bank of Scotland

BUILDINGS (1) Bevan (D. F.)

FOODS (1) Hilton (A.)

HOTELS (2) Kennedy Brookes, Rowton Hotels

INSURANCE (1) London & Manchester

OILS (1) Anvil Petroleum

NEW LOWS (64)

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospective estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ▌ Allotment letters (or fully-paid). ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. †† Official London Listing. ‡ No par value.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 9	July 20	Oct 11	Oct 22
July 23	Aug 3	Oct 25	Nov 5
Aug 6	Aug 17	Nov 8	Nov 19

For rate indications see end of Share Information Service.

Stocks favoured for the call included Bryson, Fobel, Amstrad Consumer Electronics, Courtaulds, Eglinton Oil and Gas, Pilkington Brothers, Cowan de Groot, Polly Peck, Charterhall, Premier Oil, Saxon Oil, Brunswick Oil, Cosalt, Associated British Ports, Monarch Petroleum, Thorn EMI, Australian Oil Development, William Leech, Hawley, Sangers, Ladbroke and Rowntree Mackintosh. Puts were struck in Arthur Henriques and Polly Peck, but no doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds ...	10	47	45
Corpns. Dom. and Foreign Bonds ...	5	5	70
Industrials ...	252	206	951
Fin. and Props. ...	119	51	354
Oils ...	32	29	59
Plantations ...	1	2	17
Mines ...	11	91	73
Others ...	73	53	134
Totals ...	503	484	1,703

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Anvil Petroleum ...	83xr	+ 9½
Bowater ...	228	− 9
Bryson Oil & Gas ...	398	−32
Eglinton Oil & Gas ...	168	−19
Hambro Life Assce ...	372	+10
LASMO ...	286	+11
P&O Deld ...	296	+ 5
Pilkington Bros ...	265	+20
Plessey ...	196	− 2
Shell Transport ...	620	+ 3
Siebe Gorman ...	380	+18
Thorn EMI ...	421	−42

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS 10,382

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

July 17. Total Contracts 2,212. Calls 1,212. Puts 1,000

* Underlying security prices.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100 13/16	99 15/16	Treas 12pc 1984	100	.....	12.00	10.84
105⅝	101⅝	Treas. 15pc 1985	102xd	-1/16	14.71	11.50
102¼	100	Exch. 12pc Cnv. '85	100¼	.....	11.97	11.48
95½	93⅛	Treas 3pc 1985	95 11/16	.....	3.20	11.01
102⅝	99⅝	Treas 11½pc 1985	99¾	.....	11.52	11.70
99¼	96 5/16	Treas 8¾pc Cnv '85	96 13/16	.....	9.04	11.76
104 3/16	100⅛	Exch. 12¼pc 1985	100¼	.....	12.22	11.94
103 13/16	99 3/16	Exch. 11¾pc '86	99⅜	-1/16	11.82	12.13
102 5/16	96⅛	Treas. 10pc Cnv 1986	96 11/16	.....	10.34	12.12
90 7/16	88¼	Treas 3pc 1986	89 11/16	.....	3.34	9.05
102	96 11/16	Exch. 10½pc Cv '86	97 5/16	.....	10.79	12.13
104 5/16	99 3/16	Treas 12pc 1986	99 11/16	.....	12.02	12.08
98¼	93⅞	Treas 8½pc 1984-86‡‡	94¼xd	.....	9.02	11.84
108 13/16	102⅞	Exch. 14pc 1986	103¼	-1/16	13.56	12.26
87¼	85	Exch. 2½pc 1986	85½	.....	2.92	9.53
107 13/16	101 3/16	Exch. 13¼pc 1987	101¼xd	-1/16	13.02	12.44
100⅝	94 15/16	Treas 10¼% Cv '87	95 3/16xd	.....	10.75	12.44
86¼	83⅛	Exch 2½pc 1987	83¾	.....	3.00	9.88
101 11/16	95	Exch. 10½pc 1987	95 5/16	.....	11.02	12.55
92 13/16	87 3/16	Funding 6½pc '85-87‡‡	87⅞	.....	7.44	11.93
99⅝	93⅝	Treas. 10pc 1987	93 13/16	-1/16	10.65	12.54
85	81 3/16	Treas 3pc 1987	82 11/16	+1/16	3.63	9.82
105	98 3/16	Treas. 12pc 1987	98¼	-1/16	12.21	12.62
94⅞	88	Treas 7¾pc 1985-88‡‡	88 3/16xd	-1/16	8.79	11.95
100⅛	93 13/16	Exch 10½pc '88	94	.....	11.17	12.50
98 7/16	90⅞	Treas 9¾pc Cv '88	91⅜	-1/16	10.67	12.60
82	77	Transport 3pc '78-88	78 5/16	.....	3.83	9.74
96 13/16	89 3/16	Treas. 9½pc '88	89 11/16	-⅛	10.59	12.67
106¼	95 3/16	Treas 11½pc 1989	95 13/16xd	-⅛	11.99	12.70
95 3/16	88⅝	Treas 9½pc Cnv. '89	89 5/16	-⅛	10.64	12.54
95½	92¼	Treas 10½pc 1989	92⅜	-1/16	11.37	12.62

Five to Fifteen Years

1984 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100 3/16	89½	Exch. 10pc 1989	89¾xd	.....	11.10	12.72
85¼	77½	Treas 5pc 1986-89	78⅜	.....	6.49	10.83
112¼	101	Treas 13pc 1990‡‡	101½xd	-⅛	12.84	12.66
110⅞	102⅝	Exch. 12½pc 1990	102⅞	-⅛	12.65	12.77
93¼	84⅞	Treas 8¼pc 1987-90‡‡	85½	.....	9.73	11.91
98 13/16	90⅝	Treas. 10pc Cv 1990	92¼	.....	11.29	12.66
107	95⅝	Treas 11¾pc 1991	96¼	.....	12.24	12.66
84⅛	75⅝	Funding 5¾pc '87-91‡‡	76½	.....	7.68	11.16
105¼	94¾	Exch. 11pc 1991	95¼	.....	11.86	12.53
112⅝	100¼	Treas 12¾pc 1992‡‡	100½xd	.....	12.67	12.61
100⅝	87⅝	Treas 10pc 1992	87⅝xd	.....	11.29	12.37
111⅛	102¼	Exch. 12¼pc '92	102⅜	-⅛	12.56	12.74
117½	107⅞	Exch 13½pc 1992	107¾	.....	13.06	12.79

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

[illegible]

"Recent Issues" and "Rights" Page 35

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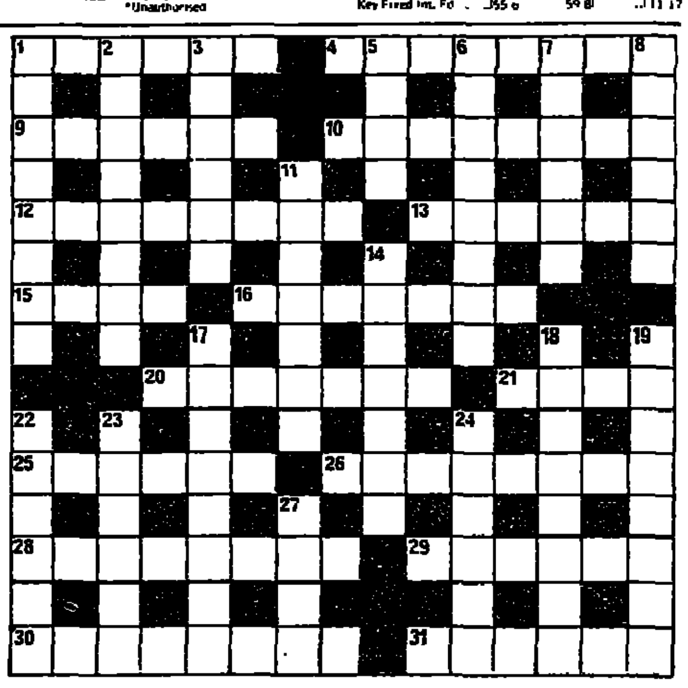
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,468



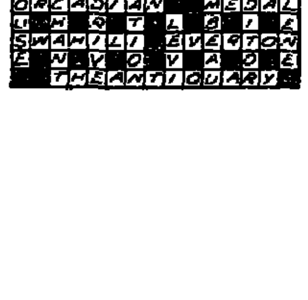
ACROSS

1 Bear knocked over by the French—it is fair game (4-2)
4 E-by gum —— camping out, you need covering (8)
9 Spanish gooseberry? (6)
10 Wodehouse called out in this *crude dwelling* (3-5)
12 Done with Riviera resort—it is too refined (8)
13 Day war broke out at home, he explained the origins (6)
15 Painter of pier, but not the front (4)
16 O, leaf it some other way (7)
20 Egg-plant fruit not in inn (7)
21 Mail-order capital (4)
25 Good singer is something to affect service round pub (6)
26 Morbidly keen always to have angle outside (8)
28 Virginia permits non-residents (8)
29 One is pushed into making a switch (6)
30 How the Quaker reacted to cold? (8)
31 Ringleader stays, unexpectedly, to see butterflies (6)

DOWN

1 Dog Henry trained is a gas (8)
2 At home, let teatime include a pancake (8)
3 The Ag in cloudage? (6)
5 Head of English carries weight here (4)
6 Copper in ruins of Athens is not pure (8)
7 Bar benders? (6)
8 He is responsible to the letter (6)
11 Moped, love-a-duck, outside (7)
14 Doctor, round the hearth, mixed socially (7)
17 This part of plane gets lighter as e.g. fuel is used up (8)
18 Small saloons attempt to have people serving (8)
19 Oodles of things for making fast (8)
22 Worked hard—put by about a pound (6)
23 He is entitled to have a place on the board (6)
24 She who petrified was oddly amused (6)
27 Nasty eyelid could include one (4)

Solution to Puzzle No 5,467



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co.

Sel Sec A	23.8	25.1	.....	—
Blue Chip	18.4	19.4	.....	—
Fixed Yield	17.8	18.8	.....	—
Guaranteed Mny	15.4	16.3	.....	—
Managed	17.4	18.4	.....	—
International	23.1	24.6	.....	—
Property	14.8	15.6	.....	—
Pacific	18.0	19.0	.....	—
Equity	13.9	14.7	.....	—
Special Sits	19.8	20.9	.....	—
Int Currency	13.4	14.3	.....	—
Index Linked Secs	10.3	10.9	.....	—
American	16.6	17.5	.....	—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.08	14.78	.....	—

Lloyds Life Assurance
20, Clifton St, EC2A 4NX. 01-920 0202

Multi Gwth July 6	12.69143		.....	—
Multi Gwth 'A' July 6	248.0	261.1	.....	—
Op 5 Prop July 12	250.8	264.0	.....	—
Op 5 Equity July 16	290.5	305.8	+1.0	—
Op A Hy July 12	250.8	264.0	.....	—
Op B Man July 12	297.6	313.3	.....	—
Op 5 Dep July 10	194.0	204.3	.....	11.33
Op B Int Bond July 12	162.3	170.9	.....	—
Op B Inc Dist July 12	128.3	135.1	.....	8.00
Op B Int Man July 12	173.6	182.8	.....	—
Op B US$ July 12	138.8	146.2	.....	12.12
Pens B Pr Ac June 15	314.4	331.0	.....	—
Pens B Pr Cp June 15	210.9	222.0	.....	—
Pens B Eq Ac June 15	833.1	877.0	.....	—
Pens B Eq Cp June 15	558.6	588.1	.....	—
Pens B FI Ac June 15	366.4	385.7	.....	—
Pens B FI Cp June 15	245.7	258.7	.....	—
Pens B Md Ac June 15	522.0	549.5	.....	—
Pens B Md Cp June 15	350.0	368.5	.....	—
Pens B Dp Acc June 15	300.4	316.3	.....	—
Pens B Dp Cp June 15	201.4	212.1	.....	—

Britannia Funds—Series A

Am Smllr Co's July 11	125.9	132.6	.....	—
Aut Spec Sits July 11	141.5	149.0	.....	—
Commodity July 11	73.1	77.0	.....	—
Extra Inc July 11	109.5	115.3	.....	—

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	168.0	176.9	+0.2	—
UK Equity	173.5	182.7	+0.6	—
Overseas Eq.	161.3	169.8	+0.1	—
Americas	166.4	175.3	+0.1	—
Far East	155.6	163.8	+0.2	—
Property	109.4	115.2	.....	—
Fixed Int	147.7	155.5	−0.3	—
Indexed Gilt	94.5	99.5	.....	—
Deposit	110.5	116.4	.....	—

Pension Fund Prices

Man. Initial	164.0	172.7	+0.4	—
Man Acc.	179.7	189.2	+0.6	—
UK Eq. Initial	160.6	169.1	+1.5	—
UK Eq.	173.4	182.6	+1.6	—
Overseas Eq. Initial	182.1	191.7	−0.2	—
Overseas Eq.	205.7	216.6	−0.1	—
Americas Initial	177.0	186.4	+0.1	—
Americas	191.9	202.0	+0.2	—
Far East Initial	192.8	203.0	+0.3	—
Far East	209.3	220.4	+0.3	—
Prop. Initial	104.7	110.3	.....	—
Prop.	113.5	119.5	+0.1	—
Fixed Int. Initial	130.1	137.0	−0.1	—
Fixed Int.	140.6	148.1	−0.1	—
Indexed Gilt Initial	89.7	94.5	.....	—
Indexed Gilt	97.2	102.4	.....	—
Deposit Initial	109.0	114.8	.....	—
Deposit	118.6	124.9	+0.1	—

NPI Pensions Management Ltd.

Managed Fund	459.2	471.0	.....	—

Prices June 29. Next dealing August 1.

New Zealand Sth. Brit. Insce. PLC
Maitland House, Southend SS1 2JS 0702 62955

Kiwi Key (Managed)	310.0	319.6	.....	—
UK Equity	137.2	144.5	+0.6	—
American	231.5	243.6	+0.1	—
Pacific	320.4	337.3	+0.4	—
Property	148.3	156.1	.....	—
Gilt	168.7	177.6	.....	—
High Inc. Equity	128.1	134.9	+0.3	—
High Inc. Fxd. Int.	96.3	101.4	−0.2	—
Deposit	146.0	153.7	+0.1	—
Index-Linked Gilt	97.9	103.0	+0.1	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

[illegible]

COMMODITIES AND AGRICULTURE

Aluminium price reversal leads base metals decline

BY RICHARD MOONEY

ALUMINIUM prices went sharply into reverse on the London Metal Exchange yesterday as traders reassessed the present supply demand situation.

The cash quotation ended £26 down on the day at £864 a tonne, wiping out last week's sudden rally and taking the price to its lowest level for more than a year.

Dealers said the downturn was influenced by the knowledge that further production cuts would be needed before the market could stage a sustained growth.

Renewed selling found buyers reserved in the face of a deterioration chart picture, they added. Anticipation of a possible restart at Kaiser Aluminium's Ghanaian production facilities tended to discourage buyers, as did a report that a union at Alcan Aluminium's Quebec unit had stated tht it was optimistic about efforts to agree a new labour contract.

Most other base metals also ground. Copper prices followed through with the overnight decline in New York and the cash position ended £10.75 down on the day at £1,004.75 a tonne. Dealers said the rise also reflected signs that some recent Chinese purchases were being liquidated.

Lead prices held steady in the morning but fell back in the afternoon, in sympathy with copper, to end £6.25 down in the cash position at £381.25 a tonne.

Zinc was a notable exception to the generally lower tone with prices boosted by fears of a renewed tightening in supplies triggered by talk that a merchant influential in the early June squeeze was an active buyer during the morning.

Nervous covering in a relatively thin market triggered chartist and stop-loss buying which resulted in cash zinc ending £16 up on the day at £655 a tonne, the highest level for over a month.

The firmer tone was not discouraged by news that Electrolytic Zinc Company of Australia had followed other leading producers in cutting its European producer price to $990 a tonne from $1,040.

Currency factors and continued light buying on behalf of the International Tin Agreement buffer stock helped to lift tin prices a little, and the three-months standard grade quotation ended £20 up at £9,342.50 a tonne.

Milk scheme delays aggravate discontent

BY A CORRESPONDENT

MORE THAN 50,000 dairy farmers in France and West Germany have so far applied for golden handshakes offered by their governments to stop producing milk as a way of softening the effects of EEC-imposed quotas.

However, UK producers will have to wait at least another two or three weeks before the Government's £50m is introduced.

The scheme, for which the 16,000 producers with 40 cows or less will be given preference, was announced on May 22. However, its introduction has been held up because parliamentary approval has to be obtained.

Statutory instruments in connection with the scheme have been laid before parliament. But they will not be debated in the House of Commons until this evening and in the House of Lords until Friday.

The Ministry has been under pressure to inform farmers how the new quotas will work and to get the outgoers scheme under way. To this end, it has brought extra staff into its milk division.

It is also mindful of the growing discontent among dairy farmers towards Mr Michael Jopling, the Agriculture Minister. Not only are they furious over the quotas themselves, but they are becoming more and more agitated about the delay in the scheme's introduction.

Their antagonism might well be fuelled by the fact that their West German counterparts are being offered twice as much money as them.

The UK scheme, which is aimed at those whose total production is no more than 200,000 litres a year, will give successful applicants an average £650 a cow. This is calculated on the basis of 13p a litre for a cow with an annual yield of 5,000 litres.

This pales compared with the £1,323 a cow that German farmers are being offered. It is little wonder that 22,000 have applied since their scheme began on June 15. This represents 880,000 tonnes of milk and 1 in 17 of all producers. All must have 35 cows or less.

The German Ministry of Agriculture predicts that as many as 30,000 could apply. It points out that 80 per cent of its milk producers are full-time farmers, dispelling the notion that the scheme is helping only part-timers leave the industry.

The rush of French applicants has been even more dramatic, with 40,000 or 1 in 10 producers signing up so far. This represents 1.4m tonnes of milk.

Their scheme, which began on June 22, is heavily-weighted towards those under 55, although anyone can apply. The French Government has promised to make £53m available to spend this year. It is not clear whether similar amounts will be available in following years, but there is a limit of £4,000 on the amount that any one producer can receive.

The Dutch Government has so far said that it will make £31m available to help producers remain competitive. It is particularly worried that aid given to the Germans could adversely affect its exports to the German market.

The Dutch farming lobby is pressing Dr Gerrit Braks, the Agriculture Minister, who is under pressure from his Treasury to cut expenditure, to double the amount of aid to Fl 250m (£60m), to establish an outgoers scheme to allow farmers to leave dairying if they want to.

● About 150 militant Welsh dairy farmers plan to lobby the Commons tomorrow as MPs meet to debate the imposition of Common Market milk quotas.

They are members of the Dyfed Action Group which recently claimed responsibility for throwing eggs at Mrs Thatcher, the Prime Minister, and disrupting cycling's Milk Race.

They also held Mr Michael Jopling, Agriculture Minister, "hostage" for more than six hours by blocking nearby roads while he was visiting Wales.

Mr Malcolm Stewart, the group's spokesman, urged Britain's 49,000 dairy farmers to bombard their MPs with telephone calls urging them to vote against the quotas.

He also said the group had collected enough votes to demand an extraordinary meeting of the Milk Marketing Board if its leaders failed to represent their interests.

The board holds its annual meeting at the end of this month and several groups of farmers have launched campaigns to oust Sir Stephen Roberts, its chairman, and other senior members.

The Community has ordered UK dairy farmers to cut milk production by 1m tons this year as part of its bid to curb farm spending.

Sugar price resumes world decline

WORLD SUGAR values resumed their recent decline yesterday with the London daily raws price slipping another £2.50 to £92 a tonne, the lowest level since October 1982. In dollar terms world prices are the lowest since 1971.

Dealers noted the emergence of Syria and Yugoslavia as prospective buyers of white sugar had minimal impact on the depressed market sentiment.

● M GASTON THORN, European Commission president, has written to member states warning them that the Commission will be obliged to suspend payments of EC farm guarantees from October unless they provide new funds.

He called on member states to agree additional financing at a ministerial meeting beginning Thursday to avoid such a suspension.

● FRANCE'S 1984-85 rapeseed production could reach and possibly exceed 1.2m tonnes if the better than expected yields seen in the South, where harvesting recently began, are matched in other areas, the Hamburg-based magazine Oil World said.

● SOUTH AFRICA'S maize crop is estimated at 4.52m tonnes at end-June, compared with a 4.41m tonne estimate a month ago and last year's crop of 4.08m, the Agriculture Department said.

● DENMARK'S pigmeat and butter exports to Britain have been cut by about 60 per cent by the dock strike, Danish food export companies said.

● TAIWAN'S cotton imports dropped sharply to 669,000 bales (500lb) in the first six months of 1984 from 811,000 bales in the same period last year, Taiwan Spinners Association said.

Copper fabricators expect little demand growth in short-term

BY JOHN EDWARDS, COMMODITIES EDITOR

NO SUBSTANTIAL improvement in demand for copper products is likely in the short-term, according to the annual report of the British Non-Ferrous Metals Federation issued yesterday.

However, the federation, which represents UK copper fabricators, says that profitability has improved within the industry as a result of extensive cost cutting and rationalisation since 1980.

The report states that the outlook for copper consumption in Europe is not very encouraging, with only a small increase expected this year. The main growth in demand will again be in the U.S.

On present knowledge, the pattern of statistical surpluses of supplies of recent years is unlikely to be followed to the same extent, and the market is likely to be approximately in balance, the report adds.

The federation welcomed the European Community's decision to continue controls on exports of copper scrap to third countries. However, it expresses dismay at the number of studies on recycling in the Community which largely ignore the economic factors.

The federation says it is closely monitoring the bid by U.S. copper producers to restrict imports. It comments that the introduction of artificial restrictions such as quotas into world trade is not in principle helpful to the global economy and could lead to an escalation of protectionism in the non-ferrous metals industry.

In Washington a warning that U.S. quotas or tariff increases on copper imports would cause job losses for 2,000 to 3,000 workers in the copper fabricating industry, was issued by the National Electrical Manufacturers Association.

Australian wool boost

CANBERRA—Australian wool exports are forecast to rise sharply to 747m kilos in the July/June 1984/85 season from 634m in 1983/84, the Bureau of Agricultural Economics said.

Exports of greasy wool including slipe are expected to rise to 600m kilos from 492m, the BAE said in its June Trends quarterly.

The BAE's total wool production forecast of 766m kilos greasy equivalent against last year's 722m is the same as that announced by the Wool Production Forecasting Committee last week.

The BAE said it forecast the average 1984/85 auction price in the 495/520c a kilo range with the most likely seasonal average being 505c against 485c in 1983/84.

Stronger demand for wool, associated with a broadening of the world economic recovery, is the main reason for the forecast price rise, it said.

However, it added greater world wool supplies, primarily due to higher Australian production, will tend to bear down on the market.

The BAE said that Australian Wool Corporation (AWC) stocks increased to 1.2m bales from 900,000 in 1983/84.

Slaughtering rise forecast

BRUSSELS — The European Community farmers' lobbies, Copa and Cogeca, said about 800,000 extra cows are likely to be slaughtered during the second half of 1984 due to the milk production quotas imposed in April.

This would increase Community beefmeat production by about 225,000 tonnes for the last six months of 1984.

Copa and Cogeca said they estimated a further 710,000 cows would be slaughtered in 1985 as a result of the quotas, leading to a beefmeat production rise of about 200,000 tonnes.

Both lobbies called for urgent measures from August to avoid a further deterioration of the beefmeat market, in which prices have been falling steadily since last October.

Among the measures suggested were: an increase in export restitutions for female animals and their meat. Introduction of aids for private storage for all categories of animal and improvements in intervention arrangements to allow suspension of destockage in the autumn; special sales to the processing industry and intervention for female animals.

PRICE CHANGES

In tonnes unless stated otherwise	July 17 1984	+ or —	Month ago
Metals			
Aluminium	£1100	......	£1100
Free Mkt	$1185/1215	—15	$1280/810
Copper			
Cash h Grade	£1004.75	—10.75	£979.75
3 mths	£1025.75	—10	£1001.25
Cash Cathode	£1006.5	—13	£982.5
3 mths	£1025	—10.5	£1000.25
Gold troy oz.	$346.5	—5	$371.5
Lead Cash	£361.25	—6.25	£355.5
3 mths	£373.75	—5.12	£350.75
Nickel	£5202	......	£5097
Free Mkt	208/228c	+1	210/230c
Palladium oz.	$138.75	—1.75	$161.75
Platinum oz.	$343.50	—5.50	$377.50
Quicksilver†	$295/305	......	$300/310
Silver troy oz.	562.85p	—11.20	623.05p
3 mths	579.15p	—11.80	637.05p
Tin cash	£9415	......	£9207
3 months	£9342.5	+20	£9137.5
Tungsten	$85.23	......	$83.74
Wolfram22.04lb	$81/86	......	$85/89
Zinc	£655	+16	£631.5
3mths	£659.25	+15.75	£639.5
Producers	$990	......	$1050/1090

	July 17 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1425y	+75	$1515
Groundnut	$1060y	......	‡
Linseed Crude	‡	......	‡
Palm Malayan	$680z	+15	$750
Seeds			
Copra Phil	‡	......	$820
Soyabean(U.S.)	$285.4w	+8.65	$311.g
Grains			
Barley Fut.Nov.	£109.35	—0.45	£105.75
Maize	‡	......	£152.75
Wheat Fut.Nov.	£111.00	—0.65	£106.50
No2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1835	+25	£2026
Futures Sep	£1769	+24.5	£1961
Coffee Ft. Sep	£2248	+59	£2138
Cotton A index	78.00c	—1.15	82.85
Gas Oil Aug	$233	+1.75	$239
Rubber (kilo)	67p	......	59.5p
Sugar (raw)	$92yz	—2.5	£109.5
Woolt'ps 64s	470p kilo	......	474pkilo

‡ Unquoted. z Sept. w-Aug. u Aug-Sept. y July-Aug. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

The gas oil market opened unchanged but moved quickly higher on trade buying in early trading. Later in the morning prices drifted lower but a steady opening in New York moved the market back to the highs and prices remained steady until the close, reports Premier Man.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.40-27.55	—0.1
Dubai Fateh	27.35-27.45	—0.05
Arab Heavy	26.50-26.60	—0.05
North Sea (Forties)	28.05-28.25	—0.1
North Sea (Brent)	28.20-28.30	—0.02
African(BonnyLi'ht)	28.55	—0.05

PRODUCTS—North West Europe ($ per tonne)

Premium gasoline	262-267	—2
Gas Oil	229-232	+2
Heavy fuel oil	176-178	—

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
July	228.00	+2.00	228.25-26.25
Aug.	233.00	+1.75	233.25-31.00
Sept.	237.25	+1.25	237.75-35.75
Oct.	241.25	+1.75	241.75-40.00
Nov.	244.75	+2.00	244.75-44.75
Dec.	248.00	+2.75	248.00-46.50
Jan.	248.00	+1.75	249.00-48.30
Feb.	245.00	......	—
March	241.00	—0.50	—

GOLD MARKETS

Gold fell $5 to $346½-346¾ on the London bullion market yesterday. It opened at $347½-348, and was fixed at $347.50 in the morning and $347.15 in the afternoon. The metal touched a peak of $347¾-348¼, and a low of $346-346½.

In Paris the 12½ kilo gold bar was fixed at FFr 97,750 per kilo ($348.60 per ounce) in the afternoon, compared with FFr 97,750 ($348.54) in the morning, and FFr 98,700 ($354.51) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 31,850 per kilo ($348.52 per ounce), against DM 32,025 ($352.98), and closed at $347-347½, compared with $350-351.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $346.90 per ounce, against $352.50.

In Zurich gold finished at $347-347½, compared with $350½-351.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
July	—	—	—
Aug	348.10-48.20	—4.00	349.50-47.90
Oct.	354.70-54.80	—4.25	355.50
Dec	361.80-62.00	—4.40	362.80-62.30
Feb.	370.00-70.10	—3.55	—
April	377.00-77.10	—4.55	—

Turnover: 433 (372) lots of 100 troy ounces.

	July 17		July 16	
Gold Bullion (fine ounce)				
Close	$346¼-346¾	(£262-262½)	$351¼-351¾	(£264½-265)
Opening	$347½-348	(£262¼-262¾)	$347¾-348¼	(£263¾-264¼)
Morning fixing	$347.50	(£262.760)	$352.25	(£266.398)
Afternoon fixing	$347.15	(£262.099)	$350.10	(£264.526)

Gold and Platinum Coins July 17					
Krugrnd	$356½-357	(£270-270½)	King Sov	$83⅛ 85	(£63¼-64¼)
½ Krug.	$183¼-184¼	(£138¾-139½)	Victoria Sov	$83½-85	(£63¼-64¼)
¼ Krug.	$93¼-94¼	(£70½-71¼)	French 20s	$65½-67	(£49½-50¾)
1/10 Krug.	$38-39	(£28¾-29½)	50 Pesos Mex	$430½-432½	(£326-327½)
Mapleleaf	$356¼-356¾	(£269¾-270¼)	100 Cor Aust	$340 346	(£257½-259¾)
New Sov.	$81½ 82	(£61¾-62)	$20 Eagles	$575-585	(£435½ 443)
½ New Sov.	$49-51	(£37-38½)	Noble (Plat.)	$353¼-367¼	(£267¼-270¼)

EUROPEAN MARKETS

ROTTERDAM, July 17.

Wheat—(U.S. $ per tonne): U.S. two soft Red Winter Aug 151, Sept 152, Oct 155. U.S. two Northern Spring 14 per cent protein Aug 173.50, Sept 171.50, Oct 175, Nov 177. U.S. Northern Spring 15 per cent protein Aug 178, Sept 176.50, Oct 180, Nov 182. U.S. three hard Amber Durum Aug 183, Sept 179, Oct 180.75, Nov 193. Canadian one western Amber Durum July 192, Aug 189, Sept 189, Oct/Nov 193, Nov/Dec 195.

Maize—(U.S. $ per tonne): U.S. three yellow July 162, Aug 157, Sept 150.50, Oct/Dec 134, Jan/Mar 141.50 sellers. Argentine Plate afloat 166, mid-July/mid-Aug 164, Aug 164, Sept 164 sellers.

Soyabeans—(U.S. $ per tonne): U.S. two yellow Gulfports Aug 279.40, Sept 272, Oct 251.10, Nov 250.70, Dec 253.70, Jan 257.40, Feb 261.30, Mar 264.60 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 178, July 182, Aug 186, Sept 191, Oct 193, Nov/Mar 197 sellers. Pellets Brazil afloat 187, July 186, Aug 187, Sept 192, Oct 198, Oct/Dec 202 sellers. Pellets Argentine afloat 179, July 180, Aug 183, Sept 189, Oct 194, Oct/Dec 195.50, sellers.

PARIS, July 17.

Sugar—(FFr per tonne): Oct 1253/1257, Dec 1320/1325, Mar 1435/1440, May 1481/1492, Aug 1551/1575, Oct 1630/1660.

Cocoa—(FFr per 100 kg): Sept 2045/2050, Dec 1958/1960, Mar 1940/1960, May 1958/1980, July 1965 bid, Sept 1970 bid.

BRITISH COMMODITY PRICES

BASE METALS

ZINC PRICES continued to gain ground on the London Metal Exchange with the contango narrowing and forward metal closing sharply higher at £660.5 following fears of a squeeze on nearby supplies. Copper drifted back in the wake of Comex while Lead gave ground to close the late kerb at £373. Stop-loss selling depressed Aluminium to £888 before a close of £892.25.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1006-.5	—12.5	1004.5-5	—10.7
3 months	1028-.5	—12.2	1028.5-4	—10
Settlem't	1006.5	—12.5		......
Cathodes				
Cash	1010-3	—11	1006-7	—13
3 months	1027-9	—5	1024-6	—10.5
Settlem't	1015	—10	—	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1,006.5, three months £1,027, 26, 25.5. Kerb: Higher Grade, three months £1,025, 25.5, 26, 26.5, 27, 27.5. Afternoon: Higher Grade, three months £1,025, 26, 22, 23, 22.5, 23, 23.5. Cathodes: Three months £1,024. Kerb: Higher Grade, three months £1,023, 22.5, 23, 23.5, 23, 24, 24.5, 25. Turnover: 41,900 tonnes. U.S. Producers: 63-67 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9430-5	—20	9445-50	—17.5
3 months	9390-5	—20	9400-20	—2.5
Settlem't	9435	—20	—	......
Standard				
Cash	9400-10	—42.5	9410-20	......
3 months	9330-2	—19.5	9340-5	+20
Settlem't	9410	—40	—	......
Straits E.	$29.17	+0.02	—	......

Tin — Morning: Standard, three months £9,330, 31, 35, 40, 35. High Grade: Cash £9,435, three months £9,390. Kerb: Standard, three months £9,335. Afternoon: Standard, three months £9,340, 45, 40. High Grade: Three months £9,400, 10, 20. Kerb: Standard, three months £9,345. Turnover: 4,540 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	384.5-5.5	—.25	381-.5	—6.25
3 months	376-7	—.75	373.5-4	—5.12
Settlem't	385.5	......	—	......

Lead—Morning: Cash £386, 85.5, 86, three months £377, 77.5, 78. Kerb: Three months £377. Afternoon: Cash £380, 81, three months £376.5, 76, 75, 74, 74.5, 74, 73.5, 74. Kerb: Three months £374, 73.5, 73, 73.5. Turnover: 15,850 tonnes. U.S. Spot: 30-34 cents per pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	656.5-7	+15½	654.5-5.5	+16
3 months	651-.5	+7	659-.5	+15½
Settlem't	657	+15		

ZINC—Morning: Cash £655.5, 56, three months £656.5, 57, 58.5, 58, 59, 60, 59, 59.5, 60, 60.5, 61. Kerb: Three months £660, 59, 58.5, 59, 59.5, 60. Afternoon: Three months £660, 61, 60, 60.5, 60, 59, 57, 56, 55.5, 55, 56, 57, 58, 58.5, 59, 59.5. Kerb: Three months £660, 61, 60.5, 61. Turnover: 23,750 tonnes. U.S. Prime Western: 50.50-50.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	870-1	—25½	863.5-4.5	—26
3 months	895-.5	—28	888-9	—26½

Aluminium—Morning: Three months £896, 95, 95.5, 96, 96.5, 96, 95.5, 95, 95.5. Kerb: Three months £895, 94, 91, 92, 93, 94, 95, 94, 93.5, 92, 93.5. Afternoon: Three months £890, 89, 88, 89, 88.5, 89, 88, 89, 88.5, 89, 88, 87, 88, 88.5, 89, 88. Kerb: Three months £889, 90, 91, 92, 93, 93.5, 94, 93.5, 93, 92.5, 92, 92.5. Turnover: 33,300 tonnes.

NICKEL

Nickel — Morning: Three months £3,595, 93, 95. Kerb: Three months £3,595, 93. Afternoon: Three months £3,590, 92. Kerb: Three months £3,585. Turnover: 1,236 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3495-500	—27.5	3495-500	—7.5
3 months	3593-5	—27.5	3592-5	+7.5

SILVER

Silver was fixed 11.2p an ounce lower for spot delivery in the London bullion market yesterday at 562.85p. U.S. cent equivalents of the fixing levels were: spot 745.8c, down 13.7c; three-month 767.7c, down 14.1c; six-month 793.3c, down 14.6c; and 12-month 847c, down 15c. The metal opened at 563-566p (746-749c) and closed at 561-564p (741-744c).

SILVER per troy oz	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	562.85p	—11.2	562p	—6.5
3 months	579.15p	—11.8	578.5p	—5.75
6 months	595.95p	—12.1	—	......
12months	639.95p	—13.3	—	......

LME — (2,000 oz contract): Cash 562p (568.5p); three months 578.5p (585.25p). Turnover: 0 (0).

Turnover: 74 (155) lots of 10,000 oz. Morning: Large first ring three months 580.0; second ring three months 581.5. Kerb: Large three months 580, 80.5, 81. Afternoon: untraded. Kerb: large three months 578.

COCOA

Futures were initially easier but rallied strongly during the afternoon. Physical trading was active, particularly the nearby positions. Producers however remained withdrawn, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1773-76	+32.5	1770-34
Sept.	1768-70	+24.5	1777-26
Dec.	1710-15	+24.0	1710-76
March	1694-96	+17.0	1696-97
May	1702-06	+16.5	1698-72
July	1712-18	+16.0	1685
Sept.	1715-30	+10.0	1695-98

Sales: 4,167 (4,709) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound): Daily prices for July 17: 100.53 (98.65); five-day average for July 18: 100.74 (101.14).

COFFEE

During a quiet opening commission house and dealer buying encouraged gains of £8-£15, reports Drexel Burnham Lambert. Light stop-loss buying was triggered before values drifted back slightly but further support extended gains in moderate volume. Prices tended to remain on the defensive in the afternoon until the close when a wave of short-covering produced a firm close.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	2215-20	+33.5	2218-95
Sept.	2247-49	+59.0	2250-98
Nov.	2255-60	+48.5	2260-15
January	2225-30	+57.0	2230-79
March	2095-99	+41.5	2100-59
May	2040-50	+32.0	2040-30
July	2005-30	+30.0	—

Sales: 3,248 (2,041) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for July 16: Comp. daily 1979 141.12 (140.39); 15-day average 143.06 (143.15).

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse: 3,175-3,225.

BISMUTH: European free market, min. 99.99 per cent, $ per pound, tonne lots in warehouse: 3.85-4.10.

CADMIUM: European free market, min. 99.95 per cent, $ per pound, in warehouse: ingots 1.09-1.24, sticks 1.10-1.25.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse: 10.50-10.80.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse: 297-305.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse 3.70-3.75.

SELENIUM: European free market, min. 99.5 per cent, $ per pound, in warehouse: 9.80-10.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif 78-81.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per pound V_2O_5, cif 2.37-2.42.

Producer list price for selected metals as recorded in Metal Bulletin.

ALUMINIUM: World: virgin ingots Alcan, min. 99.5 per cent, $ per tonne, cif Hong Kong and Rotterdam: 1,750.

BISMUTH: UK: MCP-Peko, 99.99 per cent, $ per pound, tonne lots, ex-warehouse: 4.00.

COBALT: World, Zaire: Sozacom, $ per pound: 12.50.

NICKEL: World, Inco, melting grade, $ per pound, cif Far East and America, delivered rest of world: 3.20.

URANIUM: Nuexco exchange value, Spot pound U_3O_8 17.75.

VANADIUM: Highveld fused, 98 per cent V_2O_5, $ per pound V_2O_5, cif 2.41.

ZINC: GOB producer basis, $ per tonne: 990.

GRAINS

The markets came under general hedge selling pressure and profit-taking to lose about 20p before buying interest disappeared on fears over the EEC budget and prices closed around the day's lows, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterd's close	+ or —
Sept.	107.70	—0.60	106.25	—0.55
Nov.	111.00	—0.65	109.35	—0.45
Jan.	114.30	—0.70	112.65	—0.50
Mar.	117.05	—0.75	115.35	—0.45
May.	120.00	—0.70	117.70	—0.50

Business done—Wheat: Sept 108.30-107.70, Nov 111.65-110.85, Jan 114.80-114.30, March 117.50-117.05, May 120.50-120.00. Sales: 178 lots of 100 tonnes. Barley: Sept 106.60-106.25, Nov 109.70-109.35, Jan 113.00 only, March 115.70-115.35, May only. Sales: 116 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent Aug 142.50, Sept 141.30, Oct 144.10 trans shipment East Coast. English feed fob Oct/Dec 115.50 seller East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 104.50, S. West 101.90, W. Mids 101.50, N. East 103.60. The UK monetary coefficient for the week beginning Monday July 16 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

PIGMEAT

The market remained generally steady in lacklustre conditions, but strong commission house selling on the October position on the close took the value to recent lows although there was little effect on other months, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug	114.9	114.5	115.0
Oct.	119.0	119.1	119.9-118.9
Nov.	120.9	120.2	121.4-120.9
Feb.	118.1	117.5	118.3
April	117.9	117.7	118.3
June	117.5	117.2	—

Sales: 114 (40) lots of 50 carcases 3,250 kilos.

POTATOES

The market continued firm due to dry weather forecasts, trading within a £3.50 range at levels some £2.00 higher than the previous session, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Nov.	94.80	93.00	95.50-93.00
Feb	103.00	101.30	103.00
April	126.70	124.80	127.5-124.0
May	132.50	123.00	135.0-131.5
Nov.	77.50	77.50	—

Sales: 986 (1,309) lots of 40 tonnes.

RUBBER

FUTURES—Close (buyer, seller, business). RSS No 1 £ per tonne. Aug 677, 690, 690; Sept 690, 700, nil; Oct 710, 715, 705-698; Nov 720, 725, 720; Dec 730, 735, nil; Jan 738, 740, nil; Feb 745, 750, nil; Mar 755, 760, nil; Apr 770, 775, 775; 1984 Oct/Dec 727, 729, 728-725; 1985 Jan/Mar 753, 758, nil; 1985 April/Jun 775, 790, nil. Sales: 10 (32) lots of 5 tonnes, 12 (4) lots of 15 tonnes.

PHYSICALS—Then London market opened easier, attracted little interest throughout the day and closed slightly steadier, reports Lewis and Peat. Closing prices (buyers). Spot 67.0p (same); Aug 74.50p (same); Sept 75.50p (same). The Kuala Lumpur August fob price for RSS No 1 was 209.5 (214.5) cents a kg and for SMR 20 198.5 (202.0).

SOYABEAN MEAL

The market opened about unchanged in active trading conditions, reports T. G. Roddick. A mixed and choppy session saw both buying and selling pressure at various times.

	Yestday's close	+ or —	Business Done
	£ per tonne		
August	138.30-38.70	—1.00	138.50-38.00
October	143.30-43.70	+0.10	143.70-42.90
Dec.	149.20-49.70	+0.20	150.00-49.20
Feb.	154.00-54.30	+0.10	154.00-53.60
Apr.	153.80-54.20	—0.15	154.00
June.	153.80-54.00	+0.65	153.70-53.00
August	154.00-55.00	+0.25	—

Sales: 132 (77) lots of 100 tonnes, 74 (36) lots of 20 tonnes.

INDICES

FINANCIAL TIMES

July 16	July 13	M'th ago	Year ago
299.99	299.99	301.25	274.70

(Base: July 1 1952=100)
* Corrected

REUTERS

July 17	July 16	M'th ago	Year ago
1892.8	1905.7	1921.1	1843.7

(Base: September 18 1931=100)

MOODY'S

July 16	July 13	M'th ago	Year ago
1032.9	1054.4	1057.3	1054.9

(Base: December 31 1974 = 100)

DOW JONES

Dow Jones	July 16	July 13	Month ago	Year ago
Spot	131.39	131.36	136.68	14.121
Fut	127.98	128.62	137.07	145.93

(Base: December 31 1974 = 100)

SUGAR

LONDON DAILY PRICE—Raw sugar £92.00 ($122.00), down £2.50 (down $3.00), a tonne for July/Aug/Sept delivery. White sugar $144.00, down $2.50.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	125.40-25.80	128.80-29.20	129.00-25.80
Oct.	132.80-32.80	135.00-38.20	136.20-32.40
Dec.	141.20-41.60	144.00-45.20	144.60-41.00
Mar.	156.80-57.00	160.60-60.80	160.80-56.60
May	165.20-65.40	167.20-67.40	164.60-65.20
Aug	171.00-71.81	175.20-75.80	172.80-71.00
Oct	179.00-82.00	185.60-84.60	182.00

The market remained on the defensive following a sharp overnight fall in New York and by the close quotations had touched new life-of-contract lows, reports C. Czarnikow.

Sales: No 6 2,584 (1,916) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £202.50 (£204.50) a tonne for export.

International Sugar Agreement — (U.S. cents per pound fob and stowed Caribbean ports). Prices to July 16: Daily price 4.51 (4.64). 15-day average 4.85 (4.90).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 455, 457, 457-455; Oct 473, 475, 476-472; Dec 477, 480, 483-477; Jan 478, 480, 488-477; Mar 493, 495, 495-492; May 498, 506, 503-497; Aug 510, 515, 516-511; Oct 510, 515, 517-511; Dec 510, 512, 516-510; Jan 512, 516, 516-512. Sales: 203.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 560.0, 565.0, 565.0; Oct 570.2, 571.0, 571.2; Dec 574.0, 575.0, 575.0-574.5; March 584.0, 586.0, 586.0-585.0; May 593.0, 593.5, 594.0; July 601.0, 605.0, untraded; Oct 585.0, 590.0, u/t; Dec 587.0, 595.0, u/t. Sales: 27.

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.24p per kg lw (−0.75). GB—Lambs 140.92p per kg est dcw (−30.87). GB—Pigs 80.05p per kg lw (−0.27).

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 76.0 to 82.0; English forequarters 50.5 to 64.3; Eire hindquarters 87.0 to 91.0. Veal—Dutch hinds and ends 123.0 to 130.0. Lamb—English small 69.0 to 75.0, medium 68.0 to 70.0, heavy 66.0 to 68.0; Imported: New Zealand PL 67.0 to 68.0, PX 60.3 to 61.3. Pork—English under 100 lb 51.0 to 58.0, 100-120 lb 52.0 to 56.0, 120-160 lb 46.0 to 53.0.

AMERICAN MARKETS

NEW YORK, July 17

Precious metals came under pressure from renewed strength to the dollar on continued expectations that the high level of consumer borrowing will keep interest rates high, reports Heinold Commodities. Copper and aluminium came under pressure on continued slack demand and on weakness to precious metals. Sugar was weak on commission house long liquidation as physical interest remained non-existent and surplus stocks continue to overhang the market. Cocoa showed moderate gains in response to reports of lower Brazilian arrivals which encouraged trade buying. Coffee was firm on commission house short-covering as roaster buying emerged. Cotton was weak as favourable crop prospects and slack mill demand discouraged buying interest. Heating oil traded higher in anticipation of a cutback in refinery runs in the weekly trade stocks report. New crop maize and soyabean forward months attracted selling on favourable growing conditions while nearby months found light support on tight old crop cash considerations.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	52.40	—	—	53.70
August	52.70	—	—	54.00
Sept	53.30	53.30	52.60	54.60
Dec	55.00	54.70	54.60	56.25
Jan	55.55	—	—	56.85
March	56.65	—	—	58.00
May	57.75	—	—	59.15
July	58.90	—	—	60.30
Sept	60.05	—	—	61.45
Dec	61.65	—	—	63.05

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	2140	—	—	2100
Sept	2158	2190	2141	2150
Dec	2125	2142	2111	2118
March	2120	2132	2109	2118
May	2136	—	—	2140
July	2160	—	—	2155
Sept	2170	—	—	2160
Dec	2220	—	—	2190

COFFEE "C" 37,000 lbs, cents/lb

	Close	High	Low	Prev
July	150.00	50.00	48.75	48.33
Sept	141.76	42.40	40.70	40.86
Dec	138.06	38.80	37.56	37.48
March	136.50	37.00	36.00	35.80
May	134.88	35.25	35.00	34.45
July	133.75	33.95	33.25	34.00
Sept	132.63	—	—	32.25
Dec	132.25	—	—	31.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	58.65	58.80	58.40	59.10
August	58.85	—	—	59.30
Sept	59.45	59.90	58.90	59.95
Dec	61.25	61.55	60.80	61.75
Jan	61.85	—	—	62.36
March	63.05	63.40	62.70	63.56
May	64.36	64.15	64.15	64.85
July	65.65	65.50	65.45	66.15
Sept	66.95	66.80	66.80	67.45
Dec	68.95	—	—	69.46

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Oct	68.85	69.37	68.37	69.32
Dec	69.20	69.33	68.60	68.80
March	70.95	71.00	70.45	70.65
May	71.90	72.05	71.60	71.60
Oct	72.25	72.00	72.00	71.95

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Aug	28.99	29.02	28.89	28.88
Sept	29.18	29.25	29.12	29.12
Oct	29.40	29.45	29.37	29.39
Nov	29.62	29.64	29.59	29.60
Dec	29.72	29.78	29.70	29.75
Jan	29.73	29.77	29.72	29.75
Feb	29.70	29.70	29.70	29.60
March	29.70	—	—	29.60
April	29.55	—	—	29.54
May	29.55	—	—	29.60

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	346.1	—	—	348.5
Aug	347.3	349.0	346.1	349.8
Sept	350.7	—	—	353.2
Oct	354.1	356.0	353.0	356.7
Dec	361.3	363.0	360.0	363.8
Feb	368.7	370.0	367.5	371.2
April	376.1	377.0	375.0	378.6
June	384.0	384.8	383.5	386.5
Aug	392.2	392.9	391.7	394.8
Oct	400.8	401.0	401.0	403.4
Dec	409.6	410.5	410.5	412.2
Feb	418.8	—	—	421.2
April	427.9	429.1	429.1	430.3

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Aug	76.60	76.85	76.35	76.43
Sept	77.28	77.65	77.15	77.19
Oct	78.50	78.75	78.35	78.36
Nov	79.80	79.85	79.65	79.65
Dec	81.20	81.25	80.90	80.88
Jan	81.80	81.80	81.60	81.70
Feb	81.50	81.50	81.50	81.30
March	78.60	—	—	79.40

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
July	174.20	74.50	66.75	68.30
Sept	169.70	69.00	66.50	65.60
Nov	165.25	65.45	64.30	63.90
Jan	166.25	65.50	64.25	62.80
March	166.40	66.50	66.00	65.40
Sept	166.40	—	—	65.75
Nov	166.40	—	—	65.75

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	341.6	343.5	343.5	346.9
Oct	350.6	355.5	349.0	355.8
Jan	360.2	365.0	361.0	365.6
April	369.9	375.5	372.0	375.2
July	379.8	385.5	380.0	385.1
Oct	386.0	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	738.3	746.5	738.5	748.8
August	741.6	—	—	752.5
Sept	748.0	757.0	748.0	760.0
Dec	772.0	780.0	771.0	783.2
Jan	780.0	781.0	781.0	791.3
March	796.2	802.0	793.0	807.6
May	813.5	819.0	817.0	825.1
July	831.3	837.0	835.0	843.1
Sept	850.6	858.2	850.0	862.6
Dec	881.3	885.0	885.0	893.3

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	4.38	4.60	4.37	4.58
Oct	4.64	4.83	4.62	4.82
Jan	5.13	5.37	5.13	5.38
March	5.72	5.92	5.70	5.93
May	6.00	6.22	5.98	6.23
July	6.31	6.53	6.28	6.55
Sept	6.53	6.77	6.77	6.79
Oct	6.72	7.00	6.72	7.02

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Aug	65.25	65.62	65.15	65.50
Oct	63.92	64.12	63.80	63.92
Dec	65.35	65.52	65.25	65.27
Feb	65.67	65.70	65.45	65.52
April	66.30	66.35	66.10	66.05
June	67.15	67.15	66.95	66.90

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
July	54.92	55.40	54.80	55.15
Aug	53.87	54.60	53.77	54.35
Oct	51.07	51.87	51.02	51.62
Dec	52.55	53.05	52.45	52.77
Feb	54.05	54.35	53.90	54.22
April	50.47	50.70	50.25	50.25
June	53.42	53.60	53.00	53.30
July	54.45	54.55	54.25	54.46
Aug	52.75	53.35	52.50	53.35

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
July	356.0	362.4	353.4	356.8
Sept	312.6	317.0	311.6	313.0
Dec	288.2	289.2	286.6	287.2
March	297.6	299.2	296.0	296.6
May	304.4	305.2	303.2	303.6
July	306.4	308.4	306.0	306.2

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	696.0	707.4	696.4	699.6
August	687.0	701.4	676.0	688.4
Sept	650.4	669.4	648.0	661.0
Nov	623.0	642.0	621.0	636.2
Jan	633.6	654.0	633.4	649.4
March	647.2	667.0	647.0	661.0
May	657.4	675.0	656.0	671.0
July	663.0	680.4	661.0	675.0
August	659.4	676.4	659.4	670.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	168.0	169.0	167.0	168.3
August	169.1	170.7	168.3	169.9
Sept	170.8	172.7	170.2	171.8
Oct	168.8	171.5	168.2	171.5
Dec	171.5	174.5	171.2	174.1
Jan	174.0	176.5	174.0	176.2
March	177.0	180.0	177.0	179.3
May	180.0	181.0	180.0	181.5
July	182.5	—	—	183.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	30.50	31.55	30.45	30.49
August	29.06	29.57	28.45	28.57
Sept	27.62	28.19	26.95	27.25
Oct	25.47	25.90	24.91	25.41
Dec	23.63	24.25	23.15	23.83
Jan	23.40	24.05	23.10	23.70
March	23.30	23.96	23.15	23.69
May	23.30	23.50	23.30	23.60
July	23.50	23.77	23.60	23.77
August	23.35	—	—	23.70

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	338.4	339.4	336.0	337.6
Sept	343.4	346.4	343.2	345.0
Dec	359.4	362.0	359.6	361.0
March	370.6	372.0	370.0	371.0
May	374.0	375.0	373.0	374.4
July	359.4	361.0	359.4	359.8

SPOT PRICES—Chicago loose lard 26.00 (same) cents per pound. New York tin 574.0-81.0 (578.0-83.0) cents per pound. Hardy and Harman silver bullion 742.50 (753.60) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar resumes upward path

The dollar improved in currency markets yesterday, underpinned by fears of higher U.S. interest rates. These fears were based on recent comments by Dr Henry Kaufman of Salomon Brothers that U.S. interest rates were likely to rise. Monday's rise to record levels in U.S. consumer credit also provided background support while Federal funds were quoted at 11¼ per cent, despite an injection of funds by the authorities.

On this basis there appeared to be little logic in running short on dollars, a sentiment that the market echoed. There was little indication of any aggressive central bank intervention although the dollar was approaching record levels touched earlier this month. It closed at DM 2.8475 against the D-mark up from DM 2.8255 on Monday and only just below the 10½ year closing high of DM 2.8480 touched last week. It rose to SwFr 2.4050 from SwFr 2.3840 and finished at a record closing level of FFr 8.7375 against the French franc from FFr 8.6450 on Monday. It was also firmer against the yen at Y242.70 from Y240.55. On Bank of England figures, the dollar's trade weighted index rose from 135.7 to 136.4.

STERLING — Trading range against the dollar in 1984 is 1.4905 to 1.3065. June average 1.3773. Trade weighted index 78.4 against 78.5 at noon and 78.4 in the morning and compared with 78.2 on Monday and 82.3 six months ago.

Sterling finished firmer on the day helped by encouraging PSBR figures. It was down against the dollar but not so much as other major currencies. Consequently it recorded useful gains against most European currencies. It rose to DM 3.7550 from DM 3.74 against the D-mark and SwFr 3.1750 compared with SwFr 3.16. It was also firmer in terms of the French franc at FFr 11.53 from 11.49 and Y321.0 against Y318.75. The pound closed at $1.3170-1.3180 against the dollar, a fall of 55 points.

D-MARK — Trading range against the dollar in 1984 is 2.8480 to 2.5535. June average 2.7393. Trade-weighted index 124.4 against 123.4 six months ago.

The D-mark had a soft tone at the Frankfurt fixing, declining against the dollar, sterling and the yen, and showed mixed changes against its EMS partners. For the first time in almost a month the Bundesbank did not intervene at the fixing as the dollar rose to DM 2.8420 from DM 2.8204. On Monday the central bank sold only $4.4m, compared with a total of more than $200m at last week's fixings. The rise in May U.S. consumer credit announced Monday, and the forecast from Dr Henry Kaufman of Salomon Brothers of higher U.S. interest rates was behind the dollar's rise, but this was tempered by expectations that the Federal Open Market Committee meeting has not tightened monetary policy. Sterling rose to DM 3.7650 from DM 3.7310, and the yen to DM 11.75 per 1,000 yen from DM 11.725. The Swiss franc eased to DM 1.1828 from DM 1.1840, while within the EMS the French franc fell to DM 32.575 per 100 francs from DM 32.580.

On the other hand the Dutch guilder improved to DM 88.625 per 100 guilders from DM 88.620, the Belgian franc to DM 4.9370 per 100 francs from DM 4.9300, and the Italian lira to DM 1.6270 per 100 lira from DM 1.6220.

ITALIAN LIRA—Trading range against the dollar in 1984 is 1,751.01 to 1,591.00. June average 1,693.60. Trade weighted index 48.3 against 48.5 six months ago.

The lira lost ground to the strong dollar at the Milan fixing, but improved against the D-mark. The Bank of Italy sold $20.6m of the $28.1m traded officially at the fixing as the dollar rose to L1,747.40 from L1,737.00. The D-mark fell to L614.90 from L616.25 without any intervention by the central bank.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.2951	+0.88	+0.82	±1.5447
Danish Krone	8.14104	8.17284	+0.39	+0.32	±1.6425
German D-Mark	2.24184	2.23653	−0.24	−0.30	±1.0642
French Franc	6.87456	6.86637	−0.13	−0.19	±1.4052
Dutch Guilder	2.52595	2.52407	−0.07	−0.13	±1.4964
Irish Punt	0.72569	0.730098	+0.61	+0.55	±1.6699
Italian Lira	1403.49	1374.14	−2.09	−2.09	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	July 18	Prev. close
Spot	$1.3165-3175	$1.3245-3255
1 month	0.07-0.03 pm	0.06-0.04 pm
3 months	0.03-0.07 dis	0.02-0.04 dis
12 months	1.90-2.00 dis	1.90-2.00 dis

£ forward rates in U.S. cents discount.

THE POUND SPOT AND FORWARD

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	1.3170-1.3180	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 76.50-76.60. Six-month forward dollar 0.60-0.65c dis. 12-month 1.55-2.00c dis.
* July 16: The closing rate should have read 75.65-75.80.

THE DOLLAR SPOT AND FORWARD

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	1.3170-1.3180	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 58.10-58.15.
* July 16: The closing rate should have read 1.3255-1.3265.

OTHER CURRENCIES

July 17	£	$		£ Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
KuwaitDinar(KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr.	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

July 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr	[illegible]	[illegible]	[illegible]
Spanish Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Drch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

July 17	Pound Sterling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschemark	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen 1,000	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc 10	[illegible]	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]
Italian Lira 1,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]
Belgian Franc 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	12¼-12⅜	11 7/16-11 9/16	11¼-11¾	6¼-6⅜	2¼-2½	6⅛-6¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	12¼-12⅜	11⅜-11½	11¾-12¼	6¼-6⅜	2¼-2½	5¾-5⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	12 3/16-12 5/16	11½-11⅝	12 3/16-12⅜	6¼-6⅜	4½-4⅝	5½-5⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	12-12⅛	12 1/16-12 3/16	12 13/16-13	6 7/16-6 9/16	4 11/16-4 13/16	5¾-5⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	11 13/16-11 15/16	12⅝-12¾	13 5/16-13⅝	6 9/16-6 11/16	4 13/16-4 15/16	6 5/16-6 7/16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	11 13/16-11 15/16	13¼-13⅜	13¾-13 15/16	7-7⅛	4⅞-5	6 7/16-6 9/16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 11⅜-11½ per cent; seven days' 11⅞-11⅝ per cent; one month [illegible] per cent; three months [illegible] per cent; six months 12¾-12¾ per cent; one year 13¾-13⅞ per cent. Long-term Eurodollar: two years [illegible] per cent; three years [illegible] per cent; four years [illegible]-14⅝ per cent; five years 14¾-14⅞ per cent nominal closing rate. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

UK rates slightly firmer

Interest rates were slightly firmer in London yestrday. The pound showed useful gains although there was still some concern as to whether U.S. interest rates would be increased. Some of the longer dated periods in the interbank market were marked firmer on roll over demand while short term rates remained firm despite the outward indication of adequate intervention by the Bank of England in meeting the day's shortage of short term credit.

UK clearing banks' base lending rate 12 per cent (since July 12-13)

Overnight interbank money opened at 12⅛-12¼ per cent and rose to 12½-13 per cent before easing back to 12 per cent. Rates were quoted at 12½-13 per cent in mid afternoon trading and rates eased to 11 per cent before rising around the close to 13 per cent. Three-month interbank money rose to 11 15/16-12⅛ per cent from 11⅞-12 per cent while three-month eligible bank bills were bid at 11 7/16 per cent from 11 13/16-11⅞ per cent.

The Bank of England forecast a shortage of around £450m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £223m and Exchequer transactions a further £225m. In addition banks brought forward balances £30m below target. These were partly offset by a fall in the note circulation of £20m.

The forecast was revised to a shortage of around £550m and the Bank gave assistance in the morning comprising purchases of £27m of eligible bank bills in band 1 (up to 14 days) at 12 per cent and £8m in band 2 (15-33 days) at 11⅞ per cent. In band 3 (34-63 days) it bought £1m of eligible bank bills at 11¾ per cent and in band 4 (64-91 days) £67m at 11⅝ per cent. It also arranged sale and repurchase agreements on £40m of bills at 12 per cent, unwinding on July 31.

In the afternoon the Bank undertook further operations comprising purchases of £2m of Treasury bills and £6m of local authority bills in band 1 at 12 per cent and also £24m of eligible bank bills at the same rate. In band 2 it bought £161m of eligible bank bills at 11⅞ per cent and in band 3 £44m at 11¾ per cent.

MONEY RATES

July 17	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	11⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	5.75-5.90	11⅛-11⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	5.85-6.00	11½-11⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	5.95-6.15	11⅝-11¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	6.25-6.45	11⅞-12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lombard	6.5	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Intervention	—	11¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 17 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11-13	12-12⅜	12⅛-12⅛	11-12	—	—	—	—	—
2 days notice	—	—	12-12⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅛-12⅜	12-12⅛	12½-12⅝	11¾-12	—	—	—	—	—
One month	12¼-12⅛	12⅛-12¼	12⅛	12⅜	11¾	11⅞	11 13/16	11⅞	11 13/16	12½
Two months	12⅛-11 15/16	12-12 3/16	12	12¼	11½	11¾	11 11/16	11 13/16	11 11/16	12⅜
Three months	11 15/16-11 13/16	11 15/16-12⅛	12	12⅛	11⅝ 11½	11⅝	11 9/16	11⅝	11 9/16	12¼
Six months	11 13/16-11 11/16	11¾ 11 15/16	11⅞	—	—	—	—	11 7/16	11 7/16	11 15/16
Nine months	11⅞ 11⅝	11 11/16-11 15/16	—	—	—	—	—	—	—	—
One year	11⅛-11⅝	11 13/16-11 15/16	11¾	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅝-12⅜	—	13⅛	11.4-11.5	9¾-10	9 7/16-9½
Two months	12½-12⅛	—	12⅛	11.6-11.7	9 13/16-10 1/16	9⅜-9 9/16
Three months	12⅜-12	—	12 1/16	11.75-11.85	10⅛-10⅜	9 7/16-9⅝
Six months	12-11⅝	—	11⅞	12.4-12.5	10 5/16-10 9/16	9 13/16-10⅛
Nine months	12⅛-11¾	—	11⅞	12.8-12.9	—	—
One year	12-11⅝	—	11⅞	13.0-13.2	11 1/16-11 5/16	10 5/16-10½
Two years	—	11⅞	—	—	—	—
Three years	—	12	—	—	—	—
Four years	—	12⅛	—	—	—	—
Five years	—	12¼	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period June 6 to July 3 1984 (inclusive): 9.488 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9½ per cent from July 1 1984. London and Scottish Clearing Bank Rates for lending 12 per cent. London Deposit Rate for sums at seven days' notice 8¾-9 per cent. Treasury Bills: Average tender rate of discount 11.3968 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 12¼ per cent; one-three months 12¼ per cent; three-six months 12¼ per cent; six-nine months 12 per cent; nine-12 months 12 per cent. Under £100,000 11 per cent from July 18. Deposits held under Series 4-5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. July 17)

Three months U.S. dollars	
bid 12 1/16	offer 12 3/16
Six months U.S. dollars	
bid 12 5/8	offer 12 3/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	13
Broker loan rate	12¾-12½
Fed funds	11⅜
Fed funds at intervention	11⅜

Treasury Bills

One month	9.52
Two month	9.62
Three month	10.17
Six month	10.63
One year	10.95

Treasury Bonds

Two year	100⅞
Three year	98 27/32
Four year	101¼
Five year	102 5/32
Seven year	101 17/32
10 year	98⅝
30 year	100⅝

FINANCIAL FUTURES

Weaker trend

Gilt futures closed near the day's low on the London Financial Futures Exchange yesterday, and Eurodollar deposits showed a similar trend as the market reacted to Monday's figures on U.S. consumer credit and the forecast by Dr Henry Kaufman of Salomon Brothers that U.S. interest rates still had some way to go before they reached their peaks. The bond market in New York finished overnight on a weak note and contracts on Liffe opened in line, discouraged by a further climb by the dollar on the foreign exchanges. Gilts for September delivery opened at 100-02 compared with the previous close of 100-12 but held fairly steady during the morning on optimism about a possible settlement to the docks dispute. A weak opening to the U.S. bond market triggered slow selling, but the contract was underpinned by better than expected UK public sector borrowing figures for June.

The borrowing requirement of £1.08bn was at the lower end of expectations, but the market was then hit by news that Abbey National Building Society had raised its mortgage rate to 12¾ per cent, compared with the recommended level of 12½ per cent by the Building Societies Association, and also by fading hopes of an early end to the docks strike following comments from the union delegation. September gilts finished at 99-06, after touching a low of 99-05.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	87.64	87.70	87.61	87.83
Dec	86.95	87.02	86.93	87.19
March	86.58	86.63	86.55	86.82
June	86.31	—	—	86.63
Sept	86.14	—	—	86.31

Est. volume 3,725 (4,394)
Previous day's open int. 12,785 (13,162)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Sept	88.85	88.92	88.84	88.99
Dec	88.90	88.93	88.88	88.99
March*	88.62	88.72	88.61	88.75
June*	88.31	—	—	88.65

Est. volume 1,097 (1,170)
Previous day's open int. 5,085 (9,023)
* £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	99-06	100-10	99-05	100-12
Dec	98-18	98-22	98-18	99-21
March	97-28	—	—	99-01
June	97-10	—	—	98-16
Sept	100-02	—	—	101-10

Est. volume 3,352 (3,962)
Previous day's open int. 5,351 (5,319)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 8 to 20 (32nds)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	62-19	62-25	62-13	63-02
Dec	61-29	62-01	61-28	62-12
March	61-16	—	—	61-30

Est. volume 837 (954)
Previous day's open int. 1,274 (1,119)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3542	0.3560	0.3542	0.3578
Dec	0.3597	—	—	0.3634

Est. volume 60 (171)
Previous day's open int. 385 (345)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4191	0.4204	0.4191	0.4247
Dec	0.4273	—	—	0.4329

Est. volume 3 (nil)
Previous day's open int. 2,294 (2,294)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4162	—	—	0.4194
Dec	0.4228	—	—	0.4258

Est. volume nil (nil)
Previous day's open int. 224 (224)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3200	1.3245	1.3200	1.3275
Dec	1.3240	1.3285	1.3240	1.3317
March	1.3300	—	—	1.3380

Est. volume 286 (208)
Previous day's open int. 2,287 (2,307)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	100.40	100.50	99.75	100.00
Dec	100.50	100.90	100.50	100.20
March	100.80	—	—	100.30

Est. volume 362 (346)
Previous day's open int. 945 (1,025)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	62-28
Dec	[illegible]	[illegible]	[illegible]	62-10
March	[illegible]	[illegible]	[illegible]	61-29
June	[illegible]	[illegible]	[illegible]	61-19
Sept	[illegible]	[illegible]	[illegible]	61-12
Dec	[illegible]	[illegible]	[illegible]	61-06
March	[illegible]	[illegible]	[illegible]	61-01
June	[illegible]	[illegible]	[illegible]	60-29

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	89.30
Dec	[illegible]	[illegible]	[illegible]	88.60
March	[illegible]	[illegible]	[illegible]	88.16
June	[illegible]	[illegible]	[illegible]	87.84
Sept	[illegible]	[illegible]	[illegible]	87.59
Dec	[illegible]	[illegible]	[illegible]	87.42
March	[illegible]	[illegible]	[illegible]	87.29
June	[illegible]	[illegible]	[illegible]	87.16

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	87.85
Dec	[illegible]	[illegible]	[illegible]	87.18
March	[illegible]	[illegible]	[illegible]	86.79
June	[illegible]	[illegible]	[illegible]	86.50

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	87.43
Dec	[illegible]	[illegible]	[illegible]	86.73
March	[illegible]	[illegible]	[illegible]	86.34
June	[illegible]	[illegible]	[illegible]	86.04
Sept	[illegible]	[illegible]	[illegible]	—
Dec	[illegible]	[illegible]	[illegible]	85.65

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	1.3270
Dec	[illegible]	[illegible]	[illegible]	1.3315
March	[illegible]	[illegible]	[illegible]	1.3370
June	[illegible]	[illegible]	[illegible]	1.3430

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	65-24
Dec	[illegible]	[illegible]	[illegible]	64-20
March	[illegible]	[illegible]	[illegible]	63-24
June	[illegible]	[illegible]	[illegible]	63-00
Sept	[illegible]	[illegible]	[illegible]	62-15
Dec	[illegible]	[illegible]	[illegible]	62-02
March	[illegible]	[illegible]	[illegible]	—
June	[illegible]	[illegible]	[illegible]	61-16

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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

GE issue pricing 'too aggressive'

BY MAGGIE URRY IN LONDON

EYES widened and jaws dropped yesterday when Eurodollar bond dealers saw a $150m issue from General Electric Credit International.

Lead managed by Smith Barney Harris Upham, the three-year paper, priced at par, carried a mere 12½ per cent coupon. Although the name is good, the coupon was thought to be too aggressive. Smith Barney was not available for comment yesterday.

New issue managers suggested that the bidding for the deal had been very competitive. A number of houses turned down the offer of co-management. The issue was quoted at a 1¾ point discount, outside the 1⅞ per cent fees.

The bonds come with warrants, priced at $25, which give the right to buy a 12¾ per cent bond dated 1991 at par, during the life of the three year bond. The warrants looked overpriced too, and were quoted around $22¼.

Otherwise the Eurodollar bond market was again quiet, with little or no retail interest. The mood in New York has swung back to one of depression again, after Monday's consumer credit figures, and Eurodollar bonds followed suit. Prices of seasoned bonds dipped by ⅛ to ¼ point.

Deutsche Bank launched the first convertible D-Mark bond for three months, for Kawashima Textile Manufacturers. The Japanese company's issue raised DM 45m, and is Kawashima's debut in the D-Mark sector. Deutsche Bank indicated a yield of 4 per cent for the six-year bond, with a par issue price. Final terms will be set on July 24.

Redemption is expected to be at 105, giving a yield of 4¾ per cent. In early trading the bonds were indicated at a discount of around 1¼ points.

Sticking to the new issue calendar, Spain launched a DM 200m deal. The terms – an eight-year life, an 8¼ per cent coupon and a price of 99¾ – looked a little tight and the issue traded at a discount of about 2 points. Lead manager was Dresdner Bank.

Seasoned D-Mark bonds lost ¼ to ½ point. Buyers were deterred by *the strong dollar, and kept away.*

There were two private placements in the Swiss Franc sector. Sanken Electric raised SwFr 50m with a five-year convertible issue.

The Swiss market was quiet with prices unchanged, in low turnover.

Lloyds to streamline operations

By Peter Montagnon, Euromarkets Correspondent, in London

LLOYDS BANK International, the international banking arm of Lloyds Bank, is to streamline its capital market division to take account of the blurring of distinctions between the credit market and securities business.

Mr William Knight, principal manager in Lisbon, is to return to London as head of the reorganised division, which will be organised along lines similar to those announced last week by Citicorp in London.

This will involve the creation of three teams, each with responsibility for the full range of capital marketing services in specific geographical areas.

Mr Matthew Olex will be responsible for Europe, Mr Tom Hoffman for the UK and Ireland, and Mr Jonathan Scott for the Middle East, Africa and Scandinavia.

Mr John Hobbs will remain in charge of Eurobond syndication and swaps, while Mr David Nicoll will assume responsibility for the placement of banking assets and related secondary market activity.

SHF Bank bond average

July 17		Previous
98.887		98.907
High	1984	Low
100.009		98.056

OVER-THE-COUNTER

Continued from Page 26

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 17.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	88⅞	89⅞	−0⅛	+0⅜	13.94
All Nippon Airways 14 94	100	102⅞	103⅜	−0¼	+0⅝	13.41
American Savings 12 89	125	96⅞	97⅜	−0¼	−0⅜	12.81
American Sav 12⅛ 89	100	97	97½	−0¼	−0⅝	13.02
Australian Ind Dev 11 99	75	90½	91	−0⅛	−0¾	13.82
Austria Rep 13⅝ 92	100	98⅜	98⅞	0	+0¼	13.61
Beneficial O/S Fin 12 91	100	88¼	88¾	0	0	14.81
Citicorp O/S 11¾ 99	100	†93⅜	93⅞	−0⅛	+1	12.71
C.N.C.A. 13¼ 91	100	96½	97	0	+0⅝	13.99
Coastal Int 12¼ 88	125	95¼	95⅝	−0⅛	0	13.80
Creditanstalt 13⅛ 91	100	96⅝	97⅛	−0⅛	−1⅛	13.83
D.N.C. 11¾ 91 WW	50	87½	88	0	−0½	14.75
D.N.C. 11¾ 91 XW	50	87	87½	0	−0½	14.85
Denmark Kingdom 12 91	100	90¼	90¾	0	+0⅛	14.28
Denmark Kingdom 13 91	100	95	95½	−0⅛	−0½	14.10
Digital Equip 11¾ 89	150	93¼	93¾	−0⅛	+0⅜	13.72
E.D.C. 11⅛ 89	150	91¾	92¼	−0⅛	+0¼	13.53
E.I.B. 12½ 98	100	95⅛	95⅝	0	−0⅛	13.67
E.I.B. 12⅞ 94	100	95⅜	95⅞	0	−0¼	13.88
Eurofima 12½ 91	100	94⅞	95⅜	+0⅛	+0⅝	13.81
Ex-Im Bk Japan 13⅛ 91	75	101⅜	101⅞	−0¼	−0⅜	12.87
First Michigan 13¼ 89	125	97¼	97¾	−0¼	−0¼	13.97
Florida Fed Sav 12⅝ 89	100	95⅝	96⅛	−0⅛	0	13.66
Gen Elec Credit 0 98	600	24½	25	−0⅛	0	12.36
Gen Elec Credit 11 91 WW	200	92¾	93¼	0	0	12.59
Genossen Zentral 14 91	100	98¾	99¼	−0⅛	−0¼	14.23
Gulf & Western 12⅛ 89	100	92⅛	92⅝	0	+0⅛	14.44
I.I.I. 12 89	100	93⅝	94⅛	−0⅛	−0⅛	13.81
Indust Bk Japan 11½ 89	125	91⅞	92⅜	0	0	13.87
Indust Bk Japan 13⅝ 91	125	100¼	100¾	−0⅛	+0⅛	13.75
Int Paper O/S Fin 12 91	75	96⅝	96⅞	−0⅛	+0⅛	12.74
Japan Air Lines 12½ 94	70	93¾	94¼	−0¼	0	13.10
L.T.C.B. 11⅞ 89	100	92⅞	92⅞	−0⅛	+0⅛	14.07
Macy O/S 11¾ 91	100	91⅝	92⅛	−0⅛	+0⅛	13.67
Mitsui Trust Fin 12 91	100	90½	91	−0¼	0	14.21
Montreal City 12½ 91	70	94⅛	94⅝	−0⅛	−0⅛	13.88
Morgan Guaranty 12¼ 89	150	93½	94	0	+0¼	14.09
Ned Gasunie 11¼ 91	75	90¼	90¾	−0⅛	0	13.48
Newfoundland Prov 13 91	75	99⅜	99⅞	+0⅛	−1⅛	13.05
Nippon Tele 11⅝ 90	100	94⅝	95⅛	−0¼	0	12.67
Nova Scotia Pro 11¾ 91	100	89⅞	90⅜	−0⅛	0	14.11
Ontario Hydro 11⅝ 94	200	89⅛	89⅝	0	+0⅞	13.64
Quebec Hydro 11½ 92	100	†90⅛	90⅝	−0⅛	0	13.42
Quebec Province 12¼ 94	150	92	92½	−0⅛	−0⅛	13.72
Rockefeller Grp 13⅛ 89	100	101⅞	102⅜	0	+0⅝	12.63
Royal Bk of Can 11½ 89	100	90	90½	−0⅛	0	14.58
Rural & Ind Bk 12 91	50	91½	92	−0⅛	+0⅛	13.05
Sears O/S Fin 11⅝ 91	150	91⅝	92⅛	−0¼	+0¼	13.53
Sec Pac O/S Fin 11⅝ 89	75	†88½	89	0	0	15.14
Sec Pac O/S Fin 12 92	100	90⅞	91⅜	−0⅛	+0½	13.92
S.E.K. 11½ 89	100	91⅜	91⅞	−0¼	−1⅛	14.06
Shearson/Amex 12⅛ 94	100	91	91½	−0⅛	+0½	13.78
Statoil 12 88	100	95¾	96¼	−0⅛	−0¼	13.30
Sumitomo Fin 12¾ 91	150	94	94½	0	+0⅛	14.09
Sweden Kingdom 12⅝ 89	200	94½	95	−0¼	−0⅝	13.91
Texas Insts Int 11⅞ 91	150	91¼	91⅝	0	+0⅛	13.90
Tokai Asia 12¼ 91	100	91½	92	−0½	−0½	14.22
World Bank 11⅞ 89	200	92½	93	0	+0⅛	13.58
Yasuda Tst&Fin 12⅞ 89	100	93½	94	−0⅛	−0⅛	14.23

Average price change On day −0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	99⅞	100⅜	+0⅜	+0¼	7.45
Amca Int'l 8¼ 91	100	99⅝	100⅛	−0¼	−0¼	8.24
A.N.A.S. 8½ 91	150	99⅝	100⅛	0	−0¼	8.48
Austria Republic 7⅝ 94	200	96¼	96¾	−0⅛	−0½	8.15
Baxter Travenol 7¼ 94	200	97	97¾	0	−0⅛	7.64
Credit National 8⅛ 94	200	98¼	98¾	−0⅛	−0¼	8.35
Degussa Int Fin 7½ 94	100	99	99¾	−0⅜	0	7.58
E.E.C. 8 92	200	99	99¾	−0⅛	−0½	8.10
E.I.B. 8 91	250	98⅛	98⅞	−0⅛	−0¼	8.27
Escom 8 92	150	98½	99	0	−0⅛	8.21
Ferrovie Dello Stato 8 91	100	99⅜	99⅞	+0⅛	+0⅛	8.05
Finland Rep 7½ 91	150	96⅜	96⅞	−0¼	−0⅝	8.09
Gould Int Fin 7⅝ 91	100	98	98½	−0¼	−0¼	7.98
Int Standard Ele 7⅜ 90	100	100	100¾	0	−0⅝	7.29
Iceland 8⅛ 92	150	97½	98	0	−0⅜	8.52
Megal Fin 8¼ 94	150	99	99¾	−0½	−0½	8.34
Mitsubishi Hvy 3½ 89WW	300	96⅝	97⅜	0	−2⅛	4.24
Mitsubishi Hvy 3½ 89XW	300	86⅝	87⅛	−0⅛	−0⅝	6.85
O.K.B. 7½ 88	100	99	100	−0⅛	+0⅛	7.62
Pepsico O/S Fin 7¼ 94	250	99⅛	99⅝	−0⅛	−0¼	7.33
Reynolds O/S Fin 7⅜ 94	125	99⅝	100⅛	0	−0¼	7.49
Societe Cent Nuclear 8 91	100	97¼	97¾	0	−0⅛	8.49
Sth Africa Rep 8½ 91	200	100⅛	100⅞	0	0	8.39
World Bank 7¾ 89	100	99⅜	100⅛	0	−0⅛	7.80
World Bank 8 93	300	98⅛	98⅞	−0⅛	−0⅛	8.22
World Bank 8 94	200	98⅛	98⅝	−0¼	−0½	8.22

Average price change On day −0⅛ on week −0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Comm 5⅛ 96	80	†98¾	99	0	−0¾	5.25
Canada 5¼ 92	200	†99	99¼	+0⅛	0	5.38
Consol Foods 5¾ 94	200	†101¾	102	+0⅛	+0¼	5.49
Consol Press 6¼ 94	200	†99¾	100	0	−0½	6.26
FGH 5¾ 92	110	†99	99¼	+0¼	+1	5.85
G.D Int 6¾ 92	70	†99¾	100	+0⅛	+0½	6.77
Int-Am Dev Bk 6 96	100	†99	99⅛	0	0	6.10
Int-Am Dev Bk 6¼ 94	120	†99½	99¾	0	−0½	6.38
Japan Fin Corp 5½ 94	100	†97¾	98	−0¼	−2¾	5.79
Japan Highway 5⅜ 92	150	†97¼	97½	0	−0⅛	5.89
Kansai Ele Power 6⅛ 92	100	†103	103¼	+0¼	+0¼	5.63
Kyushu Ele Power 5⅝ 92	100	†101	101¼	+0¼	+0½	5.44
Lonrho Int Fin 6⅜ 94	100	†101	101¼	−0¼	−0¼	6.21
Malaysia 6½ 92	80	†97¾	98	0	0	6.85
Manitoba Prov 5¾ 94	100	†101	101⅛	−0½	−0¾	5.60
Mitsui Fin Asia 5⅞ 94	55	†98	98¼	+1	+0¼	6.13
Mount Isa Fin 5¾ 94	100	†97¾	98	0	−0¼	6.04
New Brunswick 5⅝ 94	100	†99¼	99½	−0½	−0¾	5.71
Spain Kingdom 6⅛ 92	100	†102	102¼	+0½	+0½	5.89
Statsforetag 6 92	75	†100½	100¾	−0½	+1	5.80
Sweden Kingdom 5¾ 94	125	[illegible]	[illegible]	[illegible]	[illegible]	5.75
Tauernkraftwerke 5¼ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	5.40
Tokyo Railway 4 92 WW	100	[illegible]	[illegible]	[illegible]	[illegible]	4.40
Tokyo Railway 4 92 XW	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transcanada Pipe 5¾ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	5.88

Average price change On day 0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bk 7⅛ 94	15	98	98½	−0⅛	+0⅛	7.63
Eurofima 7⅛ 94	10	98⅛	98⅞	0	+0⅛	7.57
New Zealand 7⅛ 98	15	96⅝	97⅛	0	0	7.73
World Bank 7 94	20	94⅛	94⅝	0	+0⅛	7.82
World Bank 7⅛ 93	20	95⅝	96⅛	+0⅛	+0⅛	7.77

Average price change On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
British Col Prov 12 93CS	125	89⅝	90⅛	0	0	13.94
Brit Col Tel 12¼ 99 C$	70	93¼	93¾	+0⅛	−0¼	13.26
Canadian Occ 12¾ 99 C$	60	†92⅞	93⅛	0	−0⅛	13.40
C.N.E. 13 93 CS	50	†95¾	96¼	−0⅛	−0⅛	13.78
Montreal City Of 12 99 CS	50	†94⅞	95⅛	0	−0⅛	13.13
Quebec Hydro 14 91 C$	75	†104	104½	0	+0⅜	13.03
Vancouver City Of 13 94CS	30	†97¾	98¼	0	−0½	13.35
Austria Rep 10⅜ 93 ECU	100	†95⅛	95⅝	+0⅛	−0⅛	11.41
GTE Fin 10⅞ 92 ECU	50	†96⅞	97⅜	+0⅛	+0⅛	11.41
Aegon 8⅛ 89 FL	100	99⅝	100⅛	0	+0⅛	8.21
Beatrice Foods 8⅛ 89FL	100	100	100½	+0⅛	+0¼	8.19
Denmark 8½ 91 FL	100	97⅞	98⅜	−0¼	0	8.87
Electrolux 8 89 FL	60	97⅜	98⅛	0	+0½	8.56
Rank Xerox Fin 8¼ 89FL	75	98¾	99¼	+0⅛	−0⅛	8.47
World Bank 8⅛ 89 FL	150	99¼	99¾	0	+0⅛	8.37
O.K.B. 14 86 FF	400	100⅞	101⅜	−0⅛	−0⅛	12.83
Solvay & Cie 14¾ 89 FF	200	101⅞	102⅞	+0½	0	12.92
Air Canada 11⅝ 94 £	40	90⅝	91¼	−0⅜	−1	12.82
Cncl Europe 11⅜ 92 £	50	92¾	93½	0	−0⅛	12.80
Denmark 10⅝ 88 £	75	92⅝	93⅜	−0⅛	−0¼	12.78
E.E.C. 11⅜ 94 £	50	92⅞	93⅜	−0¼	−0¾	12.82
E.I.B. 10¾ 92 £	50	90¼	91	0	−0⅛	12.72
Forsmarks 10⅝ 99 £	40	92⅛	92⅞	+0⅛	−0½	11.78
I.B.J. 11⅛ 85 £	30	95⅛	95⅞	0	−0⅜	12.35
I.I.I. 10¾ 93 £	25	90¾	91½	−0⅛	−1⅛	12.30
Int Stand Ele 11⅛ 88 £	50	97½	98¼	0	−0⅛	11.71
Ireland 11⅜ 94 £	50	90¼	91	+0⅛	−0½	13.11
New Zealand 10⅝ 89 £	100	92¼	92¾	0	−1⅛	12.79
Royal Trustco 12¼ 90 £	30	98⅝	99⅛	+0¼	+0⅜	12.63
SNCF 11⅛ 94 £	80	89⅝	90⅜	−0¾	−1½	13.18
Sth Africa Rep 12½ 89£	40	98⅝	99⅛	0	+0⅛	12.81
World Bank 10⅝ 89 £	100	92⅛	92⅞	0	−0⅛	12.70
Electrolux 10 88 LF	500	98¼	98¾	0	−0⅛	10.32
Cncl Europe 10⅜ 93 LF	800	102⅛	103⅛	0	0	10.26

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Banking 5¼ 90	0⅛	†98½	99	15/8	10.81	10.95
B.B.L. Int 5 99	0⅛	98½	98¾	11/10	11.19	11.34
Bank of Montreal 5 90	0⅛	98⅝	99⅛	27/10	11.10	11.22
Bankers Trust 5¼ 96	0⅛	100	100¼	10/8	11¾	11.74
Barclays O/S Inv 5 2004	0⅛	98⅝	99	2/8	10.56	10.68
BFG Fin 5⅛ 99	0⅛	98⅝	99⅛	1/8	11⅜	11.90
Commerzbank 5¼ 89 XW	0	99½	99⅝	21/8	11.19	11.23
Credit Lyonnais 5¼ 96	0¼	99⅞	100⅛	14/12	12⅝	12.63
Dai-Ichi Kangyo 5¼ 96	0⅛	99⅝	99⅞	18/11	12⅛	12.17
Dresdner Fin 5¼ 89	0	99⅝	99¾	23/8	11⅝	11.68
E.D.F. 5¼ 99	0⅛	99⅛	99⅝	23/8	10.56	10.64
Ferrovie Stato 5¼ 99	0⅛	98½	98¾	31/8	10.60	10.73
Gotabanken 5⅛ 94	0⅛	98¾	99½	18/11	12.19	12.39
Lloyds Euro 5 2004 §	0⅛	99⅝	99⅞	18/10	11.31	11.45
Midland Int Fin 5 99 §	0⅛	98¾	99	6/8	10.56	10.69
Mort Bk Denmark 5¼ 99+	0⅛	98⅞	100⅛	11/8	11	11.08
Nat West-Perp 5 89	0⅛	100	100¼	18/11	12.44	12.42
Oster Land 5¼ 98 §	0⅛	†98⅝	98⅞	11/10	11.10	11.36
Queensland Coal 5¼ 96	0⅛	99⅞	100⅝	9/11	11⅛	11.61
Societe Gen 5⅛ 94	0⅛	99⅛	99⅝	16/8	10.10	10.23
Spain 5¼ 97	0⅛	98⅝	99	23/8	10.56	10.68
Sweden Kingdom 5⅛ 2024	0⅛	†97¾	98⅛	22/8	11.19	11.42
Takugin 5¼ 94 §	0⅛	99⅝	99⅞	15/8	10¾	10.79
Tokai 5¼ 99	0⅛	100	100½	12/12	12½	12.47
Toyo 5¼ 99	0⅛	99⅞	100⅛	14/12	12⅝	12.63

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1169	94⅞	95⅝	−0½	1.75
BBC Brown Boveri 4¼ 95	2/84	108	†92	93½	0	6.10
Daiwa Sec Co 5½ 98	10/83	481.3	†106	107½	0	−0.61
Fanuc 3¾ 98	1/84	8142	117⅛	118⅝	+0⅞	38.94
Fujitsu 3 99	5/84	1328.9	90⅞	91⅝	+1⅛	7.70
Honda Motor 5¼ 98	6/83	894	130½	131½	0	1.06
Konishiroku Photo 4 98	10/83	673	82½	83½	−0½	8.48
Minebea Co Ltd 5½ 98	5/83	667	100⅝	101⅛	−0⅛	3.02
Mitsubishi Elec 5¼ 98	6/83	395	98¼	99¼	+1¼	1.05
Mitsubishi Heavy 4¾ 99	1/84	263	84⅞	85⅝	−0⅛	−2.13
Murata 3½ 99	2/84	2939	100⅛	101⅛	+1⅞	20.51
Murata 3½ 2000	7/84	2398	96⅞	97⅞	+1⅛	3.09
Nippon Oil Co 3¼ 99	3/84	1052	84	85	−0⅞	3.25
Nippon Oil Co 5½ 98	4/83	904	94	95	−0½	4.39
Nissan Motor 5⅛ 98	4/83	700	93¾	94⅝	+0⅛	9.41
Ono Pharm'cal Co 3¼ 98	3/84	9480	132⅞	134⅝	+2	24.73
Orient Leasing 5⅛ 98	8/83	2680	110⅝	111½	−0⅛	−1.08
Secom 5 98	11/83	2920	156⅝	157⅝	−0⅛	5.76
Sekisui House 3 99	8/84	612	99	100	+1⅛	4.50
Sumitomo Corp 2⅞ 99	5/84	593	78⅞	80⅛	0	−8.25
Yamanouchi Pharm'cal 4 90	10/83	1800	89⅝	90⅝	0	30.57
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†102	103	−0⅛	13.90
Nippon Shinpan Co 2 92 SF	3/84	801	†92	92⅛	+0⅞	35.83
Settsu Paper 2⅛ 92 SF	4/84	677	†142	143	−1	−3.37
Asics 5 92 DM	12/83	520	100¼	101¼	0	20.23
Sum Realty 8¼ 92 DM	2/83	365	140⅞	141⅞	0	−3.75

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.